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Americanisation in 20th Century Europe: business, culture, politics. Volume 2

L’américanisation en Europe au XXe siècle : entreprises, culture, politique

Nick Tiratsoo et Mathias Kipping (dir.)
Ce volume apporte une contribution importante au débat sur les interactions entre l’Amérique et l’Europe au XXe siècle. Il pose des interrogations sur le sens courant de “Américanisation” et voudrait offrir de nouveaux et fructueux points de départ pour de futures recherches et discussions. L’approche choisie utilise la vision la plus large possible de l’influence américaine, englobant l’ensemble de la sphère micro-économique et abordant non seulement les entreprises, mais aussi la culture des consommateurs et des entreprises en général.

Pris comme un ensemble, les différents chapitres de cet ouvrage confirment l’importance des États-Unis comme point de référence pour les entrepreneurs et les consommateurs européens. Simultanément, ils apportent un éclairage nouveau sur la complexité du processus d’Américanisation qui fut toujours plus que le simple transfert unilateral ou “l’exportation” d’idées. Ils insistent également sur la multiplicité des effets qui vont du rejet pur et simple à l’acceptation selective traditionnelle. Mais avant tout, ils renforcent l’idée selon laquelle l’Américanisation est un phénomène social, qui concerne des populations réelles dans des contextes spécifiques, que ce soit au niveau des entreprises, de l’industrie ou de la société, et dont les motivations s’étendent du simple l’idéalisme aux raisons plus venales.

This volume makes an important contribution to debates about American interactions with Europe in the Twentieth Century. It interrogates current understandings of ‘Americanisation’ and aims to produce new and fruitful departures for future research and discussion. The approach adopted uses the broadest possible view of American influence, encompassing the whole of the micro-economic sphere, and including not only companies, but also consumers and business cultures in general.

Taken together, the individual chapters confirm the importance of the US as a reference point for European businesses and consumers. At the same time, they cast fresh light on the complexity of the ‘Americanisation’ process, which was always more than a simple one-sided transfer or ‘export’ of ideas, and also point to the multiplicity of outcomes, ranging from outright rejection to the more usual selective acceptance. Above all, they reinforce the view that ‘Americanisation’ was a social phenomenon, involving real people in specific contexts, whether at company, industry or societal level, and motives that ranged all the way from the idealistic to the venal.
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Avec le concours du CRHEN-O (Lille 3), de l’Université de Paris IV (Sorbonne), de l’IUF (Paris), du CNRS (Paris), du CAMT (Roubaix), de la région Nord-Pas-de-Calais et du Conseil général du Nord.
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1 The editors wish to record their gratitude to Dominique Barjot, Harm Schröter, Isabelle Lescent-Gilles, Patrick Fridenson, and Terry Gourvish.

2 They would also like to warmly thank Martine Aubry and Marc de Ferrière Le Vayer, who not only organised a superb conference at Roubaix, but also did so much to help bring this volume to publication.
Préface

Dominique Barjot et Harm G. Schröter

1 « La culture, c’est important ! Comment les valeurs façonnent le progrès de l’humanité » est le titre d’un ouvrage publié en 2000 par Samuel P. Huntington et Lawrence E. Harrison auquel ont contribué quelques-uns des économistes les plus célèbres au monde, tels que Francis Fukuyama, Michael E. Porter et Jeffrey Sachs. Oui, la culture est importante ; mais encore fait-il se poser la question de savoir comment, quand, pourquoi, etc. Le concept de l’américanisation permet de ramener cette problématique des proportions gérables. L’américanisation économique — le transfert des valeurs américaines à travers un processus de sélection et d’adaptation aux conditions locales est au centre de nos deux volumes. Du fait de la sélection et de l’adaptation, l’américanisation ne signifie pas que les Européens ont commencé à se comporter comme des Américains en toutes circonstances ; notre interrogation est plus subtile, elle porte sur l’influence, sur un modèle et ses rayonnements à travers le temps.

2 En histoire des techniques, c’est un fait établi que chaque transfert de systèmes entraîne un transfert de valeurs, étant donné que les idées du système, la façon de l’utiliser, etc. sont profondément enracinées dans la culture. On trouve des similitudes en histoire économique. Ces deux volumes montrent que les institutions sont liées à la culture : la façon de diriger une entreprise (i.e. le taylorisme), les méthodes de distribution des marchandises (i.e. le self-service), la façon d’organiser le conseil (i.e. les consultants) ou d’analyser le marché, d’organiser les flux de marchandises ou d’informations à l’intérieur d’une entreprise ou sur les grands chantiers — toutes ces actions dépendent de choix souvent non exprimés, de décisions qui reposent sur les préférences culturelles. Nos deux ouvrages mettent en avant de nombreux exemples sur la façon dont de nouveaux systèmes furent empruntés aux États-Unis et, après un processus de sélection et d’adaptation, appliqués aux conditions locales en Europe. Les autres continents aussi furent concernés. On peut trouver des informations à ce sujet dans d’autres livres, qui à l’instar des nôtres servent à la préparation du Congrès d’histoire économique de Buenos Aires. Pour une question d’organisation matérielle et de point de vue, le premier volume, édité par Dominique Barjot, Isabelle Lescent-Giles et Marc de Ferrière le Vayer, réunit les contributions de nature macroéconomique, tandis que le second, édité par Matthias Kipping et Nick Tiratsoo, analyse l’américanisation au niveau des entreprises.
Le début de l’américanisation se situe bien avant la première guerre mondiale ; elle n’est alors qu’exceptionnelle. Le mouvement devient plus fort durant les années vingt, s’estompe dans les années trente, mais effectue un retour en force après 1945. Il subit un nouveau recul durant les années soixante-dix, mais regagne du terrain dans la seconde moitié des années quatre-vingt et les années quatre-vingt-dix. On assiste ainsi à une étonnante succession de hauts et de bas sur l’ensemble du siècle. Il semble que les montées coïncident avec celles du pouvoir économique, politique et militaire, mais les raisons de tels mouvements sont une des questions auxquelles notre contribution répond.

Enfin, nous souhaitons remercier tous ceux qui ont pris part à la réalisation de ces deux ouvrages. À côté des éditeurs, nos organisateurs magiciens, Isabelle Lescent-Giles et Marc de Ferrière le Vayer et leur équipe, en particulier Martine Aubry, à qui on a confié l’édition des deux volumes.

AUTEURS

DOMINIQUE BARJOT
University Paris-Sorbonne

HARM G. SCHRÖTER
University of Bergen
Foreword

1 “Culture Matters! How Values shape Human Progress” is the title of a volume edited in 2000 by Samuel P. Huntington and Lawrence E. Harrison to which some of the world’s best known economists, such as Francis Fukuyama, Michael E. Porter and Jeffrey Sachs, contributed. Yes, culture matters, but the questions how, when, why etc. remain to be tackled. The concept of Americanisation reduces the problem to manageable proportions. Economic Americanisation - the transfer of American values through a process of selection and adaptation to local circumstances is the focus of our two volumes. Because of selection and adaptation Americanisation does not mean that Europeans started to behave like Americans in every respect; our question is more subtle, it is about influence, about a Leitbild and its radiation over time.

2 In the history of technology it is an established fact that any transfer of Systems entails a transfer of values, since the ideas of the System, how it is to be used etc., are deeply entrenched in culture. Similarities are discovered in economic history. These two volumes show that institutions are bound to culture: how to manage a company (e.g. Taylorism), how to distribute goods (e.g. self-service), how to organise advice (consultancies) or monitor the market or organise the flow of goods and information within a firm or on a large building site are all issues that rely on often unspoken choices, decisions based on cultural preferences. Our two books come up with lots of evidence on how new Systems were taken from the USA, and, after a process of selection and adaptation, applied to local circumstances in Europe. Other continents were affected too, of course. Such information is to be obtained from other books, which, like this one, serve as a preparation for the Business History Congress in Buenos Aires. For the purpose of organisation and focus, the first volume, edited by Dominique Barjot, Isabelle Lescent-Giles and Marc de Ferriere le Vayer, collects contributions on macroeconomic events, while the second, edited by Matthias Kipping and Nick Tiratsoo, comprehends Americanisation at the business level.

3 The start of Americanisation lies well before the First World War and was at that time noticed only exceptionally. It became strong during the 1920s, faded away in the 1930s, but came back in full swing after 1945. Again it petered out in the 1970s, while during the second half of the 1980s and the 1990s it re-gathered ground. We thus have an astonishing up-and-down over the whole century. Apparently the upswings coincided
with economic, political and military power, but the reasons for such swings are one of the questions which our evidence details.

Last but not least we want to thank all the people who were engaged in the production process of the two volumes. These are besides the editors, our magician organisers Isabelle Lescent-Gilles, Marc de Ferriere and all the numerous staff, particularly Martine Aubry, who are required to turn out this kind of two-volume edition.
Business and economic historians have been looking seriously at ‘Americanisation’ for at least the last three decades. At first, their focus was primarily on US influence in Europe and Japan after the Second World War, and especially the Marshall Plan. The most salient debate concerned American motives. In the context of the unfolding Cold War, many authors favoured broad geo-political explanations, but there was also growing concern with economic driving forces and consequences – especially macro-economic functioning and trade relationships. To what extent, it was asked, had US aid stimulated growth and contained inflation? The demise of the Soviet block in the late 1980s and early 1990s gave further impetus to this perspective, since the Marshall programme appeared to offer a model for the pending reconstruction of Eastern Europe.

However, from the early 1990s onwards, there was growing interest, too, in the micro-economic aspects of the American efforts, particularly the so-called productivity or technical assistance programmes which had accompanied the original Marshall Plan initiative. This new focus has produced several detailed analyses of how Americanisation proceeded in a range of different settings and also encouraged examination of various ‘carriers’, the agencies and actors that diffused management models from the United State, and, as a consequence, there have been recent studies of, amongst other things, the spread of US-style business education, the role of ‘Americanised’ individuals and technical experts, and the influence of management consultancies. Taken together, such work has certainly contributed to a number of wider debates about the expansion of American forms of productive and corporate organisation during the Twentieth Century as a whole. On the other hand, there is no doubt that better linkages with other social scientists - for example, those working on ‘management fashions’ and the ‘management advice industry’ - remain to be forged.

Our aim in organising Session B at the Roubaix conference was to interrogate current understandings of ‘Americanisation’ and hopefully produce new and fruitful departures.
We began from an awareness of the existing historiography’s weaknesses and lacunae. Few of the detailed enquiries looked outside the traditional manufacturing sectors (steel, automobiles, metalworking, and textiles). Moreover, many of those who had examined the business or economic aspects of Americanisation appeared to be largely unaware of the stimulating insights being opened up by peers with cultural or social bents. At least two historical literatures existed side-by-side, with little cross-fertilisation. It seemed apposite, therefore, to encourage the broadest possible view of American influence, encompassing the whole of the micro-economic sphere during the last century, and including not only companies, but also consumers and ‘business cultures’ in general. In our view, a useful practical way forward was to highlight three particular themes:

Changes in management practice: we looked for in-depth case studies about the impact of the American example on management practice and corporate culture in European companies or industries. Such US models at the company level could include, for instance, scientific management, the M-form, budgetary control, marketing or human relations policies. We asked contributors to examine in some detail the transfer process, the extent to which the American models were adapted to the national, local or corporate contexts, and the reaction of different stakeholders.

Consumption aspects: we were particularly interested in the influence of American distribution and consumption patterns on Europe during the Twentieth Century. We invited contributors to examine the transfer of different sales methods (mail order, the supermarket, etc.) and their adaptation to the European context, or different aspects of consumer society and their business implications, for example the development of advertising agencies or tourism.

Cultural influences: we wanted to find out about the different ‘carriers’ through which American cultural models were transferred to Europe, for example music and films, but also style in the widest sense, including the generation of ‘identities’. Among other things, contributors were asked to look at the businesses behind these different cultural influences and/or government efforts to control and shape them.

The papers presented at the conference and revised for this volume collectively address these issues in more or less detail. They cover developments both before and after the Second World War, and explore a broad range of subjects – production and management, of course, but also services - banking (Booth), tourism (King) and advertising (Segreto); consumer industries - food retailing (Lescent-Giles) and mail order (Coopey and Porter); the consumer and consumer politics (Heinonen and Pantzar, Hilton, Obelkevich); and culture, particularly film (Miskell; Sedgwick; Braun). The geographical net is spread wide, too, with many of the studies concentrating on the often previously overlooked smaller or more peripheral constituents of Europe, for example Scotland (Knox and McKinlay), Norway (Amdam and Sogner), Finland (Heinonen and Pantzar), the French protectorate of Morocco (Saul), Spain (Puig; García-Ruiz) and the Netherlands (Sluyterman). Due to the diversity of these contributions, it is difficult to provide a comprehensive and cohesive summary of their findings. But taken together, they allow us to present a number of ‘stylised facts’ about the influence of American ideas on European companies, consumers and culture. These concern the contents, processes and outcomes of ‘Americanisation’.

**CONTENTS: THE UNITED STATES AS A ‘REFERENCE SOCIETY’**

First, the contributions to this volume confirm that for most of the Twentieth Century, the United States provided a – usually the - major point of reference for European companies, consumers and cultures. Most obviously, Europeans looked west for the
latest household items (Heinonen and Pantzar) and production technologies - for example the continuous strip mills in the Steel industry (Ranieri), or the extraction and smelting equipment at the Zellidja Mining Company (Saul). But they also sought to learn from the US in an enormously wide variety of other settings. Thus, America provided a ‘reference’ in mail order retailing (Coopay and Porter), retail banking (Booth), and marketing and advertising (Obelkevich, Segreto). European management, too, was greatly influenced, particularly as regards business techniques and personnel policies. Even in a supposedly anti-American country such as France, managers were prone to use American management vocabulary, while US-based management gurus were frequently quoted in the business journals (Lanthier).

In the cultural sphere, the US hegemony was even more obvious. Hollywood film producers had already come to dominate the most important European markets such as Britain and Germany by the early inter-war period, using a number of innovations in terms of organisation – vertical integration of production and distribution – as well as promotion – the creation and marketing of stars (Miskell; Sedgwick; Braun). The key point was that the size of the US market allowed them to recoup production costs solely from domestic distribution, which was not the case for their European competitors (Sedgwick). Indigenous film production was in most of these cases relegated to a secondary position. In the UK, this development was slowed down by protective government measures, though ultimately only temporarily (Miskell; Sedgwick). Even Europe’s largest film producer and distributor, the German UFA company, proved unable to resist US dominance and was eventually forced to co-operate with Hollywood (Braun).

But this does not mean that US methods were necessarily always superior. The medium-sized Dutch company Océ-van der Grinten managed to remain highly competitive in document copying for much of the Twentieth Century because of its mastery of certain Chemical processes – and this despite the much larger resources of its US competitors (Sluyterman). Similarly, in retail banking, the regulatory regime established during the inter-war period imposed severe constraints on the later efficiency and expansion of American operators – in clear contrast to their highly concentrated (albeit cartelised) British counterparts (Booth). Indeed, in some cases, it is clear that the US was not even necessarily pioneering. The way standard costing and budgeting developed is salutary. Companies in France and Great Britain introduced these techniques at the same time as, or, in the case of budgeting, even before their American counterparts. Where the US companies led, perhaps, was simply in being more active and more successful in propagating their insights (Berland et al.).

Second, this volume also confirms that there was rarely a single ‘American model’. Of course, it is certainly true that a small but influential group of industrialists and government officials worked tirelessly throughout this period to popularise just such an idea, propounding in particular, a unified and progressive vision of US business. Yet as recent research has shown, such notions were always only highly selective pictures of actual practices, and can never be understood as representative of American realities as a whole. This point is particularly evident in the study presented here of how US multinational in post-war Scotland coped with organised labour. For while the official technical assistance advice was that managers should do everything in their power to cooperate with ‘responsible’ workers, the companies themselves were opting for a rather different strategy, which combined paternalism with an unwavering hostility to any form of independent shopfloor representation (Knox and McKinlay). In this sense, the
supposed ‘US model’ could be at best a kind of moving target, at worst an idealised chimera with little correspondence to reality.

Following on from this, it is unsurprising to find that US influence changed considerably over time and according to geographic area. It appears to have been particularly important after the Second World War – something that the previous literature has already emphasised. The reasons for this are not hard to find. First, there was an absence of alternative models. The Soviet Union might dominate in Eastern Europe, and influence some Western Communist Parties, but obvious political and ideological barriers held it firmly in check everywhere else. Another alternative, Germany, had not only lost the war, but also – at least temporarily – its role as an avatar, both in terms of technology and management. Thus, in the Nordic countries, for example, it is possible to chart quite precisely how German influence quickly waned after 1945, particularly in academic and management affairs (Byrkeflot; Heinonen and Pantzar).

More positively, there is also the fact that some influential American policy makers and business leaders were now keen to ‘sell’ their version of the US model to other countries, overturning their previous predilection for isolationism. This was made easier, of course, because the US was the most powerful country in the world in military, political and economic terms. Inevitably, therefore, the Marshall Plan and the technical assistance programmes provided straightforward vehicles for the transmission of values. There were any number of instances where the US used its power to influence behaviour and attitudes, or where the sheer size of the American market ultimately worked in a similar way. Thus, in the Irish case, American-inspired prescriptions quite clearly shaped the formulation of tourist policy for several decades. But this was not a matter, it must be underlined, of either conspiracy or even direct exhortation. What happened was that both the Irish national tourist board and Aer Lingus chose to use particular images of ‘traditional’ scenes in their advertisements because they believed that these would prove attractive to potential holidaymakers across the Atlantic (King).

On occasion, the Americans were willing to pursue their goals with considerable vigour, sometimes even ruthlessness. Thus, when the British government attempted to benefit financially from their public’s love of Hollywood films by imposing a 75 per cent import duty in 1947, American producers immediately boycotted the UK market. Given the audience’s preferences and the simultaneous intensification of US State Department pressure, it should come as no surprise that the British government quickly reduced the tariff to more acceptable levels (Miskell). Of course, American companies usually possessed considerable financial resources, and this gave them further advantages over their European competitors. In 1963, when the Spanish engine and truck maker Barreiros was unable to raise funds from domestic sources for its ambitious expansion plans or find a partner in Britain, it had to turn to the Chrysler Corporation, which acquired a share in the company. Hopes that the American shareholder would remain ‘silent’ and interfere little in actual management were soon thwarted. Only three years later, the family had to surrender control of the firm (Garda Ruiz). Similarly, the US multinationals investing in Scotland cared little about the historically sanctioned informal agreements between local employers and unions regarding hiring practices and wage levels, but simply used their financial muscle to attract highly skilled engineers and then keep them happy through an extensive welfare policy (Knox and McKinlay). Another interesting case in this respect concerns Océ-van der Grinten. Its patents had been confiscated in most of the Allied countries during the war. But the US authorities were most reluctant to return them to
their owners. First, they asked for proof that the company had not collaborated with the Germans and assurances that it was neither dealing nor planning to deal with Communist countries. When satisfied on these points, the Office of Allied Property subsequently invoked ‘the United States national interest’ and US antitrust laws to adjourn the return of the confiscated intellectual property sine die – much to the surprise and dismay of the Dutch owners (Sluyterman).

This example is especially significant, because as in so many other countries after the Second World War, the Dutch population was very keen to copy the American way of life' with its overt celebration of the individual and material prosperity (ibid.). Similarly, in Finland the United States became a Symbol of freedom and modernity. The key factors here were not only the attractions of American consumerism but also some features of the country’s history and geopolitical situation, particularly those generated by its proximity to the Soviet Union. However, after an initial phase of ‘idolisation’, the Finnish media gradually became more critical about America, and, as a result, there was a partial return to, and reassertion of, home-grown, Scandinavian values, particularly noticeable, for example, in relation to design (Heinonen and Pantzar).

The Finnish example suggests that the motivations of those referring to the United States were not always related to its alleged economic efficiency, but sometimes concerned its modern and superior image, its apparent status as the face of the future. Further illumination of this point is provided by the case of the academic exchange programmes between the United States and Belgium. Neither the organisers nor the participants here seemed first and foremost interested in the transfer of knowledge (Bertrams). The US representatives consistently highlighted their importance in creating support for American foreign policy in Belgium – with (statistically dubious) opinion polls suggesting that they had indeed achieved this objective. By contrast, the Belgian participants were mainly motivated by the prestige of contact with Americans, the benefits resulting from the creation of domestic networks, and the improved job opportunities which followed from their participation in the programmes.

Overall therefore, while contributions to this volume highlight the role of the US as a general reference for Western Europe companies, consumers and cultures, they also suggest caution about how this process actually worked. US ideas and methods were diverse, as well as constantly evolving. Americans had different interests and motivations. Declared aims sometimes hid harsher realities. A closer examination of the transfer processes and their outcomes confirms this impression.

**PROCESSES: COMPLEXITY AND SUPPLY-DEMAND INTERACTION**

While US government agencies and businesses periodically tried to ‘export’ their ideas abroad, this was rarely a simple transfer on the back of American power. Indeed, as most contributions to this volume highlight, interactions were usually rather complex. To begin with, it is important to stress that Europeans were often active searchers for American solutions, and discerning ones at that. British mail order retailers regularly sent their staff to visit the offices and warehouses of their counterparts in Chicago from the 1930s onwards (Coopey and Porter). British bankers also followed developments on the other side of the Atlantic very closely, especially in terms of new products such as credit cards (Booth). A final example concerns the Zellidja Mining Company in the French protectorate of Morocco. In 1941 and 1942, it had adopted the Bedaux System in order to
improve efficiency and make up for the war-imposed shortages of manpower." And immediately after the Second World War, concerned about the backwardness of its operations, it invited two US mining companies to join its board. Engineers from these companies subsequently assessed its operations and made recommendations for their improvement. In turn, Zellidja officials visited the States (Saul).

Moreover, on the occasions when the Americans took the initiative – for example in the technical assistance programmes - the transfer process invariably involved a wide range of intermediaries, a web of actors and institutions that went far beyond the public agencies on either side of the Atlantic. To begin with, it is important to note that particular individuals on occasion played quite crucial roles in these interactions. Perhaps the most efficacious were those with detailed knowledge of the economic and cultural context in the receiving country, since they often had the ability to select and implement the most relevant ideas. There are many instances. Sune Carlsson, the well-known Swedish management scholar, was instrumental in creating a personnel department at Norsk Hydro, the first in Norway (Amdam and Sogner). In Belgium, Gaston Deurinck and others participants in US exchange programmes eased the spread of the productivity gospel (Bertram). In France, some of those who had participated in the productivity missions to the United States in the 1950s reached leading positions in their companies twenty years later and probably contributed to the growing acceptance of American management practices (Lanthier). And in Spain, there was Fermín de la Sierra, a young engineer and official at the Ministry of Industry, who travelled across the Atlantic in 1946 and 1947 to study new management methods and subsequently became the first professor of industrial organization at the Madrid School of Industrial Engineering (Puig).

But, of course, individuals operated in specific contexts, and these could either help or hinder their efforts. An illuminating example concerns the former GM executive George Kenning, who visited Norway as a consultant during the productivity drive and then stayed on to promote his own brand of management philosophy. For while Kenning eventually became very influential in Norway, his success took time, and to some extent had to wait for the rise of a new generation of managers who had been trained in business rather than engineering. Significantly, too, it turned out that ‘Kenningism’ did not travel very well: when the consultant took his ideas to Sweden, he met resistance, provoked a strike, and ultimately failed to win many friends (Byrne). But Kenningism did not travel very well: when the consultant took his ideas to Sweden, he met resistance, provoked a strike, and ultimately failed to win many friends (Byrne).

Alongside these individuals were a whole host of different institutions. Consulting firms formed one obvious category, and seem to have been particularly effective in the transfer of incentive payment Systems. Thus, during the inter-war period, the Bedaux Consultancy introduced such arrangements in the major British mail order houses, in order to lower labour costs and – more importantly – enhance managerial control (Coopey and Porter). The companies in this industry used the same consultancy, emulating each other, and such a rippling effect occurred in many other cases. Interestingly enough, American consultants appear to have been least active during the productivity drive of the 1950s. This is confirmed by developments in Holland, since companies here preferred to employ local consultancies, probably due to historic ties and their familiarity with the specific context (Sluyterman). However, it also emerges that all the consultants were probably rather less effective as knowledge carriers than their own publicity suggested. For example, proponents of scientific management such as Bedaux
seem to have contributed little to the introduction of standard costing methods in either Britain or France – despite voluble claims to the contrary (Berland et al.).

Advertising agencies formed a second significant cohort, though they have so far received little attention in the relevant literature. The contributors to this volume suggest that they played a particularly important role with respect to the emergence of the consumer society, channelling aspirations and honing tastes. Many US agencies quickly established offices in Europe, but they also inspired and trained generations of European executives and creatives – people like Charles Saatchi, who subsequently became independent and – at least temporarily – better known and more successful than his mentors (Obelkevich).

In most cases, as these examples suggest, intermediaries came from either the US itself or the recipient countries, but there were also more complicated patterns, involving third parties. Aer Lingus employed Dutch designers from KLM together with British advertising agencies (King). Norsk Hydro looked even further afield. Sune Carlsson’s role has already been mentioned, but other international linkages abounded. For example, the company’s first head participated in Harvard’s Advanced Management Programme, and was also involved in the Moral Rearmament Movement; while the way his managers developed their human relations policy was shaped by a research foundation attached to the Norwegian School of Economics and Business Administration in Bergen, which in turn had been much influenced by British practitioners.

Turning to the question of why particular intermediaries became important at certain moments, there is no question that American connections were often of paramount importance. Thus, US multinationals setting up operations in the UK asked their consultants to follow them aboard and at the same time provided introductions to local clients. Franco’s Spain provides a further example. The Spanish did not benefit from the Marshall Plan and remained outside the main political and military organisations of Western Europe. However, Spain was strategically important, and so received much American corporate investment from the 1950s onwards, together with official and private assistance to build institutions for the transfer of US technological and management know-how – for example, the National Industrial Productivity Committee, a dedicated body of consultants to advise public sector companies, and several new business schools, one of them set up with the help of Harvard (Puig). Over time, such accretions could turn individual countries or cities into bridgeheads for particular kinds of US influence. Brussels, for example, was the central clearinghouse in Europe for anything to do with management education. A foundation had been set up as early as 1920 to organise US-Belgium university exchanges, and after the Second World War, Brussels became a kind of ‘hub’ for the activities of the Ford Foundation in Europe, especially with the creation of the European Institute of Advanced Management Studies (EIASM) in 1965 (Bertrams). Interestingly, in both Belgium and Spain, it was catholic networks that were most active in the institution building, seizing an opportunity to modernise in a way which did not ostensibly threaten the political status quo.

Finally, two qualifications about all intermediaries are pertinent. First, it needs to be acknowledged that most, regardless of appearances, usually had complex motivations. Those who were most vocal about the alleged superiority of the US ideal, for example, frequently also realised that it could allow them opportunities for advancement – a better job, perks, travel, promotion, or greater recognition and power in society as a whole. This is very clearly illustrated by the story of why Norwegian companies adopted the decentralised multi-divisional or M-form. In much of the literature, this innovation is
seen as something that followed on from diversification (and internationalisation). But in Norway, the prime driver was competition between different professional groups for the control of their companies, and particularly the growing assertiveness of business school graduates over engineers (Amdam and Sogner). In a sense, then, the details of the American solutions sometimes mattered very little, and could be taken up or put down at will. The important point was whether particular ideas were suitable as weapons in a wider struggle.

Second, it must always be remembered that intermediaries were rarely able to pursue their projects with complete freedom, and could in fact face substantial opposition. At the most obvious level, consumers might reject American products completely – witness the several futile attempts to introduce baseball and ‘football’ to Europe. But there were also many more deliberate campaigns to stem the flow of American influence. Left-leaning intellectuals and trade unionists in several countries regularly attacked the excesses of Hollywood, or focused on more specific targets, like the so-called corrupting American comics of the early 1950s, or the McDonald’s takeaways of the 1990s. Consumer groups, schooled in the social democratic ideals of solidarity, protested at what they saw as the downside of the American dream – amongst other things, and according to taste, a disdain for the poor, built in obsolescence, and a relentless drive to homogenisation. The works of ‘muck-raking’ authors like Jessica Mitford, Ralph Nader and Vance Packard sold in their millions (Hilton). On the other side of the political divide, conservatives worried about American disruption of traditional values. And, needless to say, not all European industrialists were necessarily enthusiastic about the advice that was being proffered. Some disputed that US formulae were apposite for the restricted markets that they operated in. Others were far from happy at being told what to do by productivity missionaries who were at the same time often associated directly with their transatlantic competitors. On occasion, and in many different settings, there is no doubt that a frank anti-Americanism flourished and pushed the intermediaries into something of a corner.

One interesting example of this is the Italian case, where resistance to the introduction of American advertising methods in the 1950s and 1960s came from the two opposing ends of the social and political spectrum: the Catholic Church and the Communist Party. Their ‘anti-industrial prejudice’ and hostility towards advertising appears to have slowed down, though not stopped, the creation of an US-style consumer society in Italy (Segreto). It also made it difficult for advertising agencies and professionals to establish themselves in the country, at least until the end of the 1960s.

OUTCOMES: NEGOTIATING THE EXTENT OF AMERICANISATION

Given the complexities and constraints that have been touched upon, it is clear that the outcome of the transfer process was never likely to be simple copying of American ways. What occurred, on the contrary, as the contributors to this volume invariably show, was a shifting pattern of negotiations and compromises. This meant that the exact extent of American influence at any one time varied case by case. At one end of the spectrum, there are clear instances of indifference, verging on outright rejection. In Belgium, where conflict between employers and unions was endemic, the productivity centre consistently opposed US exhortations to include union representatives – even eventually forgoing American funding for this reason (Bertrams). And there is also the case of the British Iron
and Steel Federation, which dismissed most of the findings of its productivity mission to the US as “unrealistic”, and proceeded to largely ignore them (Ranieri).  

Then there are examples of what has been called ‘de-coupling’ – where the American message was listened to, and perhaps even praised, usually for political purposes, yet in the end not acted upon. The French woollen industry provides a very good illustration. Its representatives crossed the Atlantic in 1951 and were impressed by American methods. But they also recognised that conditions in their homeland were very different - a poorer quality of raw materials, a smaller domestic market, and a production System based on craftsmanship rather than mass production. When drawing conclusions, therefore, they were careful to commend American practice and endorse the need for the modernisation of technology and management. But it is also true that the actual degree of change on the shopfloor during the following years remained very limited (Daumas).

However, in the majority of cases, interactions with the US ideas produced more positive outcomes. The typical pattern here was what has been termed selective appropriation. Thus, most European companies adopted at least some of the US management techniques on offer in the post-1945 period, but without jettisoning all of their own indigenous practices. For example, the Spanish pharmaceutical company CEPA eagerly espoused scientific management and created an in-house research department following the US example, yet was content to keep its strategies, promotion policies, and accounting conventions in a form that owed much to the culture of its owner, the industrial and financial group Urquijo (Puig). Similarly, before its takeover by Chrysler, the Spanish firm Barreiros Diesel chose to adopt a combination of Taylorism and US-style human relations, while also persevering with the typical paternalism of a family business (Garcia Ruiz).

One notable feature of this selection process was that it appears to have been most successful when the European companies took their time and really thought about the different options. Some Norwegian companies actively searched for new policies and organisational structures for a decade or more, before eventually adopting solutions which seemed to be most appropriate to their circumstances (Amdam and Sogner). French companies behaved in a similar way over decentralisation. The largest gradually moved away from the holding company with a large number of subsidiaries and, by the 1970s, had espoused some of the principles of the M-form. Interestingly, this transformation was probably due less to a direct US influence, and more the establishment of the Common Market, and the growth, international expansion and diversification of the constituent firms (Lanthier).

Selection and adaptation also occurred in consumption. Thus, while consumers in the UK and, to a lesser extent, in France increasingly bought prepared meals instead of cooking at home, and used supermarkets and suburban shopping centres rather than going to the butcher, baker or dairy shop in their local high Street, it is nevertheless true that food consumption patterns as a whole remained rather distinct between social classes and regions, in clear contrast to the more homogenous situation in the United States (Lescent Giles). Indeed, manufacturers in every consumer goods sector learned the hard way that they invariably needed to shape products according to existing structures of taste, not some transatlantic amalgam. Even American multinationals became increasingly aware that individual markets required tailored solutions (Obelkevich).

A final example concerns British retail banks in the 1950s and 1960s. From one viewpoint, the story here is of conservatism. For while American banks sought customers of every
kind, in part by offering personal loans for the purchase of consumer durables, the British persevered with a longstanding focus on the middle classes, and made little attempt to breakdown working-class preferences for cash. However, a closer look reveals a more complex picture. British banks, it appears, had an unusual willingness to pursue technological innovation. Their interest in credit cards has already been noted. But it is worth pointing out, too, that computerisation of the entire retail banking Systems was achieved much faster in Britain than in the United States – albeit with American equipment (Booth).

In conclusion, the contributions to this volume confirm the importance of the US as a reference point for European businesses and consumers throughout the Twentieth Century; cast fresh light on the complexity of the ‘Americanisation’ process, which was always more than a simple one-sided transfer or ‘export’ of ideas; and point to the multiplicity of outcomes, ranging from outright rejection to the more usual selective acceptance. Above all, they reinforce the view that ‘Americanisation’ was a social phenomenon, involving real people in specific contexts, whether at company, industry or societal level, and motives that ranged all the way from the idealistic to the venal.

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NOTES


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21. For details see Kipping 1999.
28. For this concept, see Meyer and Rowan 1977.

AUTHORS

MATTHIAS KIPPING
Universitat Pompeu Fabra, Barcelona and University of Reading and London School of Economics

NICK TIRATSOO
Universitat Pompeu Fabra, Barcelona and University of Reading and London School of Economics
Americanisation, British consumerism and the International Organisation of consumers Unions

Matthew Hilton

consumerism in the united states

Organisations of consumers which engage in the testing of different branded goods for the benefit of subscribing members began in the United States. In 1927, a civil servant for the Labor Bureau, Stuart Chase, and an engineer, F. J. Schlink, published Your Money’s Worth, a critique of the exploitation of the consumer in the modern marketplace. Drawing on Veblen-esque attacks on consumption as well as anti-trust traditions within American politics, the book epitomised a desire to empower the consumer that was one of the founding principles of Consumers’ Research, founded in the same year. The organisation embodied a new spirit of what Charles McGovern has called “consumer republicanism” or consumer citizenship: “a form of ideal Jeffersonian independence not only in the marketplace but also in society at large – each individual consumer required and deserved independent and scientifically valid information about goods and purchasing”. Consumers’ Research sought to overcome the ignorance of the consumer and make him or her adept at assessing the quality of goods while at the same time maintaining a healthy distance from modern commercial values. Its publication, Consumers’ Research Bulletin, proved an inspiration, and in the 1930s several other consumer organisations were created, while Roosevelt’s New Deal programme incorporated the consumer as citizen into the national administration. The most famous and lasting of these new groups was Consumers Union, formed in 1936, which was to publish its assessments of value for money in Consumer Reports. Consumers Union was created because of the internal divisions at Consumers’ Research which had seen Schlink attempt to focus consumerism on product testing rather than broader social and economic issues. According to Lizabeth Cohen, “although highly critical of the abuse of consumers, particularly by advertisers, these consumer advocates did not call for any major
structural changes in the economy or government. Rather, they hoped that scientific research into product quality would allow the free market to work better, by creating more knowledgeable consumers to counterbalance exploitative merchandisers. 4 Schlink in fact would later denounce his former radical colleagues at Consumers’ Research as Marxists. Thus, organised consumerism, or at least that developed in America after the initial radicalism of the late 1920s, was essentially pro- rather than anti-market. As Gary Cross has argued, “this narrowing of the scope of consumer rights to the privilege of being informed about the pricing and attributes of goods has tended to reinforce both the individualism and the materialism of American consumption”. 5

In this brief history of US consumerism it is clear that although comparative-testing consumerism had come to dominate by the 1950s, it had done so only after eclipsing various other forms of consumer action. Consumerism could mean many things to many people, from the anti-trust sentiments in the 1911 Sherman Act, to the notions of consumer-citizenship advocated in the New Deal era, and even the fight for a living wage among trade unionists. From the 1950s, too, comparative testing consumerism would compete with other movements in defense of the consumer interest: Vance Packard and J. K. Galbraith’s liberal-left critique of advertising and affluence; Ralph Nader’s aggressive attacks on the dangerous manufacturing policies of US business; and the consolidation of a legal System that situated consumers as forceful litigants in class action suits. If we are to trace the influence of America in the spread of organised consumerism around the world, then we must acknowledge, as many papers in this volume do, that there is no such monolithic entity that can be identified as ‘the American model’. Instead, in case studies which seek to examine ‘cultural transfers in the economic sphere’, Americanisation must be seen not simply as the straightforward propagation of a state-sanctioned notion of America, but as a series of competing models from which other countries adapt, select, draw upon and reject. Without wishing to over-emphasise the heterogeneity of American economic and cultural institutions, there is a strong case to be made for a notion of Americanisation that recognises that country’s own internal political processes and developments. Just as scholars identify negotiation at the interface between US and other States’ interests, so too must we see America itself as an arena for the interplay of competing political and cultural ideas.

international consumerism

Nevertheless, in a crucial period in the development of organised global consumerism, it was the consumerism of comparative testing and rational choice that predominated. In the 1950s, affluence, the increased technical specifications of consumer goods, and the expansion of commercial advertising (and the consequent attacks upon it), led to the real growth in organised consumerism. By 1957, Consumer Reports had a circulation of 800,000. Moreover, it was being scrutinised by consumer activists in Europe. By the end of 1959 four comparative testing consumer organisations had been founded in Europe: the Consumers’ Association in the UK, Consumentenbond in the Netherlands, the Union Belge des Consommateurs in Belgium and the Union Fédérale de la Consommation in France. One year later, the Australasian Consumers’ Association started in Sydney. These independent groups were in addition to the other voluntary associations of housewives found all over Europe and the many government-sponsored consumer councils which had also begun to emerge, especially in Scandinavia. However, it was the comparative testing
organisations that were to seek international links. In 1958, Elizabeth Schadee of the Dutch Consumentenbond and Caspar Brook of the UK Consumers’ Association discussed opportunities for international collaboration. They approached Colston Warne of the US Consumers’ Union who enthusiastically embraced the project and who was able to devote $10,000 of his organisation's money to setting up an international body. In the spring of 1960 the First International Conference on Consumer Testing was held to discuss opportunities for future collaborative efforts. A Technical Exchange Committee was established and a range of goods identified where the pooling of testing facilities would be beneficial to all concerned. More significant still was the creation of the International Organisation of Consumers’ Unions (IOCU) on 1 April 1960. On its Council sat the representatives of the four comparative testing organisations that had been largely founded on the American model, as well as Colston Warne of the US Consumers’ Union. The original aims of the new body were simply to extend the comparative testing type of consumerism: “It was to act as a clearing house for information on test programmes, methods and results; to regulate the use of ratings and reprints of materials of member organisations; and to organise international meetings to promote consumer testing”.  

The IOCU's growth was impressive. Although in 1970 the Council still consisted of the cote of the five founding members, five further organisations had become co-opted members (Forbrukerrådet of Norway, Forbrugerrådet of Denmark, Statens Konsumentråd of Sweden, the Consumer Council of the UK and Stiftung Warentest of West Germany) and another four were elected members (Verein für Konsumenteninformation of Austria, the Consumers Institute of New Zealand, the Israeli Consumers’ Association and the Consumers’ Association of Canada). A further 16 Associate members and 23 Corresponding members ensured that organised consumerism now reached into Asia, Africa and Latin America, if only into the richest nations of these areas. By 1990, however, the IOCU had extended well beyond the affluent West. The Council now consisted of representatives of most Western European states, but also of consumer organisations in Argentina, Hong Kong, India, Indonesia, Jamaica, Japan, Mauritius, Mexico, Poland and South Korea. An Executive had been formed which showed the domination of the founding members (excluding Belgium) though even here South Korea and Mauritius were represented and the Presidency was held by Erna Witoelar of the Yayasan Lembaga Konsumen, Indonesia. Today, the IOCU is called Consumers International, and in November of 2000 it held its 16th World Congress in Durban, South Africa. Its headquarters are in London, but there are thriving regional offices in Africa, Asia and Latin America. Incredibly, in 1999 it had 253 members from 115 different countries which ranged from all the States of the western world to post-communist Eastern Europe and a whole collection of developing States (China, Chad, Guatemala, El Salvador, Gabon, Nigeria, Malawi and Burkina Faso) which, on first instinct, one might suppose had other interests that needed defending than those of consumers.

the development of consumer rights

In membership and organisational terms, the American Consumers’ Union has proved extremely successful and it appears to have spread a version of consumerism that supports independent consumers and aims to improve rather than structurally alter the marketplace. Yet almost as soon as the IOCU was set up, it was apparent that comparative testing was not the only type of consumerism in the US. In March 1962, President
Kennedy made a significant speech in the history of consumer protection. In it, he outlined four basic consumer rights that should act as the guiding principles for legislative and voluntary action:

1. The right to safety
2. The right to be informed
3. The right to choose
4. The right to be heard

The IOCU immediately incorporated these four rights as its own raison d’etre, binding its member organisations to the pursuit of consumer protection ideals articulated and advanced from within a changing US context. All four consumer rights are rights for the individual, an extension of American models of rights-based liberalism. Their immediate incorporation into IOCU policy suggests a process of Americanisation, but one which recognises the ongoing development of America itself. And it is a process of Americanisation that accepts the ability of actors to play a part in the selection of which ‘cultural transfers’ are to take place within their economic institutions. It might not have been in the form of deliberate economic aid, the control of financial institutions, the propagation of American industrial and political ideas, but consumerism can be seen as a process of Americanisation conducted by consumers themselves. Here, it is appropriate to ask about the role organised consumerism has played in the development of globalisation. Have the IOCU and consumer organisations formulated a notion of the consumer as a rational, utility-maximising individual, a notion of citizenship in which the agent is reduced to a purely economic subjectivity? Has this notion of the consumer thereby eased the development of multinational enterprise which, fundamentally, imagines the consumer in a similar light – a purely economic being for whom questions of morality, political purpose, aesthetics and social welfare are irrelevant? Has organised consumerism prepared the way, therefore, for those other institutions – the World Trade Organisation, the IMF, and the World Bank – more usually associated with Americanisation and globalisation? This paper examines the development of organised consumerism outside of the US by focusing on a case study of consumerism in Britain. It will argue that beyond an immediate period in which consumer bodies seemed to follow directly the US model encapsulated in the Consumers Union, British consumerism also drew inspiration from European social democratic ideas which changed the focus of consumerism from that of affluence to poverty. Furthermore, the social issues raised by consumer protection debates from around the world have subsequently altered the ideological leanings of the IOCU. It still adopts Kennedy’s rights-based model of consumerism, but it has extended this to take into account the multitude of consumer interests emerging out of different national contexts.

**the uk consumers’ association**

Despite the existence of several other consumer organisations in the late-Nineteenth and early-Twentieth Centuries, comparative testing consumerism did not begin in Britain until 1956. The creation of several professional and politically-motivated individuals, the Consumers’ Association (CA) was led in its formative years by Michael Young, who made available a garage at his Bethnal Green Institute for Community Studies to use as a first office. Throughout the 1950s and 1960s, CA focussed on comparative testing and the
provision of 'best buy' advice to its subscribers, a formula that was to prove extremely successful. By the end of its first year, CA had received free publicity in over 300 publications and had 47,000 members paying an annual subscription of 10s. By the end of March 1961, there were already a quarter of a million members, and over half a million by the beginning of the 1970s. By 1987, membership figures would peak at just over one million.  

CA also encouraged the creation of local consumer groups beginning with the establishment of Oxford Consumers’ Group in 1961. By 1963 there were nearly 50 groups and 5,000 members, with the movement peaking in 1967 when there were 100 groups with a combined total membership of 18,000, all affiliated to the National Federation of Consumer Groups. The members of these organisations and of CA itself were almost wholly middle-class – indeed their socio-economic status was perhaps the only unifying factor for a diverse group of subscribers of whom many would have disliked CA extending its activities beyond the realm of comparative testing. Members tended to be readers of The Times, Guardian, Observer, Spectator; and Economist; by contrast, reports on the activities of CA in the pages of the Daily Mirror brought few, if any, new members.

According to a 1960 survey, 49 per cent of members were “professional” (with annual incomes over £1,000), 40 per cent were “lower professional” or junior managerial, leaving just 7 per cent from the skilled or semi-skilled working class. Despite occasional efforts to reach consumers on lower incomes over successive decades, the membership has remained stubbornly middle-class: an October 2000 study still found that Which? subscribers were “not representative of the population generally”, being “more likely to be older, on higher incomes and in social grades AB”.

Disputes over the political or campaigning direction of CA were also avoided through the extension of government activity into consumer protection in the 1960s, freeing the CA to focus on testing. However, this extension of government activity into consumer affairs did not involve any real clash with the notion of the consumer as rational individual as embraced in the reports of Which?. The Molony Committee on Consumer Protection published its final report in 1962. This led directly to the creation of the Consumer Council in 1963 and the Trades Descriptions Act of 1968 which, in turn, were followed by a flurry of legislation in the 1970s that included the 1973 Fair Trading Act, the 1974 Consumer Credit Act, the 1977 Restrictive Trade Practices Act and the 1978 Consumer Safety Act. Molony, however, offered no substantial reinterpretation of the consumer that harked back to the increasingly forgotten ‘consumer republicanism’ of 1920s America. Indeed, the productivist bias of the members of the Committee meant that the aim was merely to “fortify” the existing System of consumer protection without “significantly altering” it. They offered no radical re-interpretation of the consumer, synonymously interchanging the term with that of “shopper”, who they defined as an essentially economic agent: “one who purchases (or hire purchases) goods for private use or consumption”. Instead they heaped praise on British industry, criticising only a “small minority” of manufacturers or “irresponsible importers” who too readily accepted inferior foreign goods.

the consumer council, 1963-1970

A similar analysis might be made of the Consumer Council set up in 1963 and which existed on a limited budget until 1970. Politically, the Council sought to protect the
consumer while at the same time promoting a notion of the consumer as individual who needed to be educated in order to improve his or her market efficiency. Solutions to market failure were only to involve rarely direct government intervention; consumers instead were to be taught to be able to identify abuse, fraud and deception so that little recourse would be needed to the Trade Descriptions Act. It never really established a view that contradicted its generally pro-competition message which in itself was not greatly at odds with the businesses with whom the Council was sometimes opposed. That it did antagonise manufacturers was only in those instances of outright market abuse or commercial tradition which restricted the market. In defending the consumer, the Council therefore urged a greater liberalisation of the market. And this was a liberalisation that must be read as narrow, in the sense that it took no account of aesthetics, morality, formal political alliances, or the interests and concerns of other members of society.

But what is apparent is that during the life of the Consumer Council, it became increasingly apparent to its salaried staff, if not the actual council members, that a straightforward focus on the empowering of the individual consumer was insufficient to resolve the perceived inequities of the marketplace. In its magazine Focus, Council staff found an outlet for their frustration over their inability to deal with consumer complaints and their inability to reform government services in the consumer interest. Occasionally staff clashed with the voluntary members of the Council, as they extended the scope of the Council’s interests. Focus mixed articles on specific issues, such as medical advertising, the cost of eggs to poorer consumers, or the poor conditions of football stadia, with general discussions of the problems of existing weights and measures legislation, the advantages of a US-style Better Business Bureau and the need for more local authority consumer protection officers. It attempted to present itself as the spearhead of the entire consumer movement in the UK through, for example, providing an outlet for news of all the local consumer groups that proliferated in the 1960s as well as trying to encourage more to be set up. It celebrated prominent consumer activists such as Ralph Nader, heralded as the “world’s greatest consumer”, an “advocate, muckraker and crusader” and a “peaceful revolutionary”. And it allowed a regular outlet for the Council’s campaigning voice, such as in the series of articles which called for an overhaul of the legal system or, in particular, the creation of small claims courts that would enable consumers to seek redress over minor problems without incurring the considerable expenses usually associated with the recourse to law.

The articles in Focus were not necessarily backed up with political success – their significance lies in their reflection of a gradual broadening of consumerism which emerged out of the realisation that everyday consumer problems required much more than the empowering of the individual. The CA, too, had begun to realise this and there was a slow but gradual extension of its activities in the 1960s. The Research Institute for Consumers Affairs was set up in 1961 by CA as an independent charity to investigate consumer problems beyond obtaining immediate value-for-money. Its initial investigations included in-depth studies of general medical practice, estate agents, the co-operative movement, town planning, safety concerns over children’s toys and motor vehicles and the specific problems of particular groups of consumers such as the elderly. CA also began providing detailed evidence to various government investigations, such as the Crowther Committee on Consumer Credit in 1969, and from the late 1960s, it encouraged the establishment of local consumer advice centres following successful
experiments in Vienna and Berlin. The first of these, in the racially and socially mixed Kentish Town, demonstrated the desire to provide “pre-shopping counselling” and information to those who were least likely to buy Which?, that is, those “most likely to be intimidated by official surroundings and formal procedures”. Many local authorities took over these centres in the 1970s and they were to prove remarkably successful. Before the Conservative government cut central spending in 1979 there were 200 consumer advice centres in all parts of the UK.

The advice centres were just one indicator of a growing consumer consciousness in Britain that witnessed an attendant expansion of ‘consumerism’. When, in 1970, the Conservatives abolished the Consumer Council, they were widely condemned in the press. CA immediately realised that it now formed the largest and most effective outlet for the consumer voice and it consequently expanded its political campaigning role. The Conservatives soon performed an about-turn in their consumer policy, appointing Geoffrey Howe as Minister for Consumer Affairs (within the Department of Trade and Industry) in 1972 and creating the Office of Fair Trading (OFT) in 1973, both of which were direct responses to the public outcry that had greeted their earlier attitude to the Consumer Council. The OFT would seek voluntary methods of market regulation over government intervention on behalf of the collective mass of consumers. According to Jeremy Mitchell, long time consumer policy worker for CA, the First phase of consumerism up to the 1970s aimed at more information with protection as a secondary objective. The OFT therefore signified a significant break from the earlier informationalist consumerism and, in principle at least, owed its inspiration not to a corporatist model of consumer protection from the US, but from the Ombusdman tradition of Sweden. Accordingly, the Director-General of the OFT was empowered to intervene directly to check trade abuses, a substantial redirection of the state's role in consumer affairs, though in practice, Director-Generals were selected who still very much regarded the consumer as an economic and rational individual unit.

the national council, 1975 to the present

The journalist Adam Raphael, writing in the Guardian, claimed that the Labour Party was angry not to have earlier boarded “this vote-winning bandwagon”, but when it next came to power it certainly made amends. The Conservatives still held on to a notion of the consumer as rational individual who only needed more information in order to rectify the imbalances of the market, but the Labour Party responded directly to the more socially-aware consumerism of the type that had supported the advice centres. After coming to power, it upgraded consumer representation in government by establishing a Secretary of State for Prices and Consumer Protection in March 1974, the very act of which seemed to confirm that consumers had an important role to play in inflation policy, a position deliberately denied by the Conservatives. Labour’s most significant contribution to the redevelopment of consumerism was, however, the establishment of the National Consumer Council (NCC) in 1975. The NCC had its immediate origins in a government White Paper of 1974 which explicitly stated that consumers had as much a right to a say in State affairs as either the Trade Union Congress or Confederation of British Industry and, as such, should have a central agency serving their purposes. Unlike the earlier Consumer Council of 1963, the members of the NCC were to stand as direct representatives of the consumer movement, in recognition of organised consumerism’s
political legitimacy, and they were to act deliberately as a “partisan body”. Crucially, the White Paper rejected the assumption of equality between buyer and seller that the OFT strove for, and insisted on the need for a body to speak for the “inarticulate and disadvantaged”, or those who seemed not to possess the full individual skills of rational liberal citizenship.\textsuperscript{32}

The NCC was quick to set out its philosophy, much of which was encapsulated in its stress on education and information, two services said to constitute “the fourth right of citizenship”.\textsuperscript{33} If T. H. Marshall would have included these within his third stage of citizenship (social rights), Michael Young, the NCC’s first chair, believed them so crucial to the “lifeblood of democratic government” that they warranted separate recognition especially since “without the right to education and information the other three sets of rights are liable to be hollow shams”.\textsuperscript{34} But education and information did not mean only the ability to assess individually the relative merits of various consumer durables, it also meant overcoming the problems of consumer detriment, or the structural inequalities which forced the poor to pay more for their goods, either through ignorance of market opportunities or the inability to buy in bulk or budget effectively on a low weekly wage.\textsuperscript{35} It is in the suggested solutions to consumer detriment that the NCC’s version of consumerism becomes most apparent. It proposed a number of self-help voluntary measures, such as the formation of bulk-buying clubs, credit unions and housing cooperatives in order to obtain greater value for money, but it also proposed that the State should become more involved in consumer decisions. Rather than expecting the consumer to seek out information, the state, through agencies such as Citizens’ Advice Bureaux, Consumer Advice Centres, legal advice centres, and welfare rights agencies, should work to ensure that information reached the disenfranchised consumer. The very first \textit{Annual Report} of the NCC explicitly stated that consumerism extended beyond goods and services and related to the whole field of government activity.\textsuperscript{36} The State was urged to exercise its own power, providing capital equipment for poor consumers, ending flat-rate tariffs within the nationalised industries and freeing up resources for housing provision when overcautious building societies were unwilling to lend to certain classes of consumer.\textsuperscript{37} And consumers were to have as much say in the running of the country as employers and trade unionists. This principle was embodied in the appointment of Young as first chair of the NCC since he was also a member of the National Economic Development Council; the government expected him to act as a powerful consumer advocate in the meetings of this latter body.\textsuperscript{38}

\textbf{reflections and new directions in consumerism}

In the 1980s, the scope of the NCC’s activities was restricted and consumerism took another direction in the midst of Thatcherite economic reforms and the privatisation of public utilities. Here, again, free choice, individual decision-making, and a notion of the rational utility-maximiser were promoted as the central tenets of the consumer interest. But up until the 1980s, it is clear that consumerism in the British national context developed along lines substantially different from that provided by the US Consumers’ Union. The Consumers’ Association’s \textit{Which?} magazine thus found itself just one of an increasing range of consumer protection services. And these varying initiatives in turn affected the policy development of the IOCU, which was being increasingly shaped by the differing national contexts of consumer politics. For instance, Young’s own social
democratic ideals proved influential in the negotiation of consumerist agendas between Britain, the US and the IOCU. In a speech at the Third Biennial Congress in 1964, he highlighted three dilemmas that the new consumer movement faced:

1. The needs of the poor versus the needs of the rich
2. The claims of commercial products versus public services
3. The standard of living versus the quality of life

His answer was to urge for a broader consumer movement, one that showed that consumers, as Henry Epstein of the Australian Consumers' Association had put it in an earlier speech, “don't intend to march around in a circle to a tune played with one finger on a cash register”. Of the first dilemma, Young argued that consumerism must acknowledge that many consumers in the developing world had no choice at all and he advocated that western consumers donate 1 per cent of their annual incomes to development projects directed by the IOCU. Of the second dilemma, he argued that consumerism should now turn its attention to public services, consumers using their collective voice to get not just more efficient public services, but more of them in total. Of the third dilemma, Young recognised some of the limitations of comparative testing consumerism:

Are we in the consumers' organisations no more than servants of the washing machine? A sort of human appendage to the machine age? Is our ideal, our picture of Utopia, a housewife in a great suburban house fitted from one end to the other with humming machinery, rushing frantically from one gadget to another, re-arranging the piles of treasured consumer reports from one table to another? Is there nothing to the good life, except more and more refrigerators and TV sets? Are we as consumers in fundamental agreement with industrialists that all that is necessary to the good life is to produce more, better and cheaper goods?

Instead consumerism needed to move beyond asking about individual products and teach consumers how to use their time wisely, how to make things for themselves, how to use leisure for individual fulfillment, “not just what to buy, but how to make delight in all the costless pleasures of life: the open air, the trees, the sky. And perhaps the time will come when people will choose not to buy: choose themselves, as their own individual use of freedom, to limit their acquisition of property in the interest of a fuller life, which may for some people also be a simpler life.”

In this, in Young's essentially Promethean analysis of the consumer movement he had played such a large role in creating, he was to touch on themes that would substantially redirect the activities of the IOCU. In 1970 he would again refer to the social costs of consumption, questioning the position of the poor who often paid the costs of economic development without receiving any of its benefits and arguing IOCU member organisations should include the costs of environmental pollution in their assessments of consumer goods. Other nations' consumer activists have produced similar agendas. In 1982, Anwar Fazal, the IOCU's first President from the developing world claimed that “The consumer movement is not just about the value for money. It's also about the value of people”. Frequently, then, the IOCU was becoming the arena for the promotion of more radical consumerist agendas, touching on issues that the members of several States' consumer testing organisations would have been horrified to discover they had been indirectly financing. Over the decades, the IOCU has focussed on issues such as famine and international food supply, the conservation of energy and the energy crisis, consumer education, low-income consumers, human rights, a consumer 'interpol' for
hazardous products, deregulation, protectionism and international trade, and the environment.

**Conclusion**

Many of these concerns have arisen from IOCU’s expansion beyond Europe and the United States. But even within the affluent West there are clear instances of both the independent development of consumerism and the successful integration of national interests within the original US-dominated global institution. It is no surprise, given our existing understandings of Americanisation and cultural and political value transference, that we should observe, in this case study of Britain, aspects of negotiation, contestation and adaptation of a dominant model to local conditions. But the discussion must be still more complicated than this, for American consumerism has hardly remained static itself. It is clear that Consumers’ Union was just one form of consumerism that happened to win out by the end of the 1930s – it might well have been the more radical anti-corporate critique of Consumers’ Research or the more closely aligned state-sponsored model of consumer-citizenship seen in the New Deal era. In the post-war period, too, organised consumerism has moved beyond straight-forward comparative testing, as Ralph Nader’s aggressive anti-business tactics have increasingly entered the mainstream in a legal and political framework that increasingly encourages the institutionalised confrontation of demarcated business and consumer interests.

Comparative testing and the subsequent focus on consumer rights by the IOCU has undoubtedly become a dominant model and continues to influence consumerism to this day. But this is always shaped by a national context. In Britain, social democratic ideals associated with Michael Young and the Tony Crosland-wing of British socialism, together with the realisation among consumer activists that consumers’ problems cannot be rectified by individual empowerment alone, have shaped the development of consumerism, first in such initiatives as the local advice centres sponsored by the Consumers’ Association and local authorities, and later in the founding principles and activities of the National Consumer Council. Similar divergences from the US model will be witnessed in other national contexts. Gunnar Trumbull has recently argued that in France, grass-roots consumer politics have had much stronger linkages with the trade union movement, whereas in corporatist Germany there is less consumer radicalism but much greater consumer representation within the regional and federal governments. However, the existence of EEC protection rules since the 1970s has seen the issues taken beyond the level of the nation state.

Where the Americanisation thesis appears to hold most weight is in the growth of IOCU member organisations in Africa, Asia and Latin America. But even here, the story is complicated as the enrolment of developing world consumer interests has led to an expansion of official IOCU consumer rights. In the 1990s, the four consumer rights of Kennedy’s 1962 speech had been doubled to eight. They now included:

5. The right of redress
6. The right to consumer education
7. The right to a healthy environment.
8. The right to basic needs
Rights 5 and 6 might be regarded as mere extensions of the consumer concerns of the US and affluent West, while number 7, the right to a healthy environment, is a clear indication of the increasingly global perspective of organised consumerism. The right to basic needs, however, suggests a fundamental alteration in the IOCU agenda. Given that the vast majority of the population in Europe and America do have access to the most basic needs, and particularly those who have joined consumer organisations, this right appears more as a duty – the responsibility of affluent consumers to alleviate the conditions of their own countries and the developing world’s underclass. This is very different from the original comparative testing and individual rights to choice and freedom model seen in a dominant strand American consumerism in the 1950s. It is a consumerism that owes less to Consumers Reports and far more to Morrisian and Ruskinian traditions of consumer duties in Britain, the philanthropic work of Consumers’ Leagues at the turn of the Twentieth Century, and the fights for a ‘living wage’ in US trade union politics. It is a consumerism based on the politics of poverty rather than the politics of affluence, and is thus far removed from the agendas formulated by the largely middle-class consumers’ movement of the mid-Twentieth Century. The IOCU, it seems, has successfully integrated US-based comparative testing consumerist individualism with more collective responses to global issues of consumer detriment.

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NOTES

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13. The remaining 4 per cent were categorised as ‘other’. See Who reads Which?, article for New Society, final copy, 26 October 1962, box 27, CAA. See also box A31, CAA.
17. Ibid., p. 1.
20. Focus, 1 (1), 1966, p. 13-16; Focus, 1 (4), 1966, p. 10-11; Focus, 1 (10), 1966, p. 2 (For a list of all the specific issues discussed in the first year, see the index attached to this edition).
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29. This is perhaps best exemplified by the Conservative’s first appointment to the position of Director-General of Fair Trading. John Methven had been a solicitor for Imperial Chemical Industries and subsequently became the Director of the Confederation of British Industries; Dictionary of National Biography, 1971-1980, p. 567.
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ABSTRACTS

Cet article étudie le développement du consumérisme organisé en Grande-Bretagne et dans l’Organisation Internationale des Associations de Consommateurs (IOCU, créée en 1960). Il examine dans quelle mesure les consommateurs eux-mêmes ont joué un rôle dans l’Américanisation. Il montre que le consumérisme britannique a fait appel autant aux idéaux socio-démocrates européens qu’aux types de consumérisme basé sur les tests comparatifs qui s’est développé d’abord aux États-Unis. Ces traditions différentes se retrouvèrent alors dans les ordres du jour de l’IOCU de même que les intérêts des diverses autres associations nationales de consommateurs les enrichirent aussi. Il faut insister cependant sur le fait qu’il n’existait pas de notion statique du consumérisme américain, ni d’idée précise sur ce qu’était exactement l’« Amérique » : de fait, les États-Unis eux-mêmes ont connu une grande variété de politiques de consommation.
AUTHOR

MATTHEW HILTON

University of Birmingham
'Little America': the modernisation of the Finnish consumer society in the 1950s and 1960s

Visa Heinonen and Mika Pantzar

introduction and theoretical framework

1 Today Finnish households are not ‘modern’ and high-tech only in information technology. We argue that the Finnish home and kitchen have also been revolutionized and, we maintain, ‘Americanised’. It is impossible to trace the exact route by which the new thoughts about household technology found their way to Finland in the Twentieth Century. We think, however, that the origin of these ideas is rather obvious. Numerous Finnish press articles picturing the future always begin with a reference to the same model. This account is typical: “The American kitchen marketed by Eri Oy attracted the largest crowd of spectators. It had a refrigerator, a deep-freezer, an ultra-modern oven, a dishwasher and a washing machine, an all-powerful ‘kitchen assistant’, an electric mixer, an automatic toaster, etc. - all of them a dazzling white”.

2 In Finland people had looked to the United States for a vision of the future ever since the Nineteenth Century, although this kind of thinking gained more emphasis after World War Two. The intellectual elite, on the other hand, both in Finland and other European countries, had traditionally viewed the ideal of a consumer society for all citizens more or less critically ever since American Independence. But this did not prevent ordinary people and the popular press from taking the United States as their model. Therefore it is no surprise that from the latter part of the 1800s onwards, for instance, international exhibitions and World’s Fairs displaying the American home of the future and articles depicting American revolutions in domestic technology received wide coverage in the Finnish press.

3 Why was the United States of America, in particular, the model of the future for Finns, especially in the 1950s and 1960s? Part of the explanation, without doubt, is the
purposeful propaganda made by US officials under the banner of ‘cultural exchange’. This kind of explanation can be called a ‘dictating (or trickle-down) model’, where simple and linear causality goes from American intentions to Finnish reality. However, it is an over-simplification to argue that American influences were transmitted ‘undisturbed’, to become the ideals of Finnish consumer society, even though in ‘mediaspace’ there was an obvious lack of anti-Americanism in Finland until the mid-1960s. We argue that the role of interpreters and mediators has been very important. This kind of explanation can be called a ‘mediation model’. At the end of this chapter, we provide a third explanation - an ‘evolutionary model’ - which emphasizes cultural context and the relevance of historical accidents.

**the dictating model**

4 In post-war Europe, American freedom’ was the model of the future, and the Americans themselves were well aware of this. For instance, fairs like *America Today* (1961) were important. President Kennedy greeted the Finnish people with the following words: “It is with warm feelings of friendship that I invite you to come and see the picture we are presenting of our country. We want to show you how we and others can contribute to a better life for all humanity”.

5 In public discourse, the United States was the model of the future when Finnish consumer society broke through during the 1950s and 1960s. The actualization of an American utopia was not, however, self-evident:

- Historically, Finland had deep connecting roots with both Sweden and Russia. It was in 1809 that Finland changed from being part of Sweden to become an autonomous part of Russia. In 1917, Finland won its independence, but culturally she owes a lot to her former mother countries.
- During the Nineteenth Century, Germany became more and more important as a source of cultural influences, while Sweden lost ground. It is important to bear in mind that Finland was an autonomous Grand Duchy of the Russian empire until the declaration of independence in December 1917. In World War Two, Finland fought with the Germans against the Soviet Union.
- After the war, Finland had to pay onerous war reparations to the Soviet Union. Rationing of most consumer goods was a reality until the beginning of the 1950’s. Furthermore, the availability of imports was dependent on foreign exchange cycles.

6 In spite of these retarding factors, the United States became the undisputed model of the society of the future in the years following World War Two: ‘A Society Looking to the Future’. When the consumer market was finally liberated, new products flowed into the Finnish market, for example, freezers, refrigerators, washing machines, televisions and cars.

**the mediation model**

7 Just as it is difficult for technology to move directly from one culture to another, so it is for thoughts to be transferred intact. Journalists, exchange students, and advertising people stressed certain aspects and left other ‘less newsworthy and noteworthy’ items aside. Let us emphasize one essential thing: Finland has been among the leading nations
in terms of the amount of newspapers and magazines per capita, and the amount of time spent in reading books and journals.\textsuperscript{6}

Indeed, one of the engines powering the development of the Finnish consumer society in the Twentieth Century was the conflict between promises and actual opportunities. The democratizing influences of the spread of consumer goods following the American model leveled down social conflicts during the 1950s and the 1960s, and paved the way for the coming of a welfare society. At least as the press judged it, Finns 'purchased' their way into the modern age by buying and reading about novelty products. The development of the consumer society followed the same path as in many other European countries after the war.\textsuperscript{7} But in Finland, all these changes occurred rather rapidly.

Novelties were valued almost invariably as if there were only two, mutually exclusive options: either to board the train of progress and well being, or to bid farewell forever to development. For instance, in the mid-1950s the establishment of national television broadcasting was legitimized in public by warnings such as: "If Finland is not active in establishing television stations it will be with Albania the last country in Europe". Television was introduced to Finnish audiences in the early 1950s and broke through very rapidly during the 1960s. A Finnish specialty in the European context was the early adoption of television advertising. Television was typically an American media and television advertising became an important institution and source of income for the public television company.\textsuperscript{8}

 Plenty of research exists about Americanization from the American point of view. Typically, designers and advertising people actively 'exhibited' American culture abroad. Less is known about the reception of American influence in receiving countries and the role of mediators, the issue in this chapter.\textsuperscript{9} During the past few years attention has been paid to the diffusion of the American model in a business context, but the diffusion of American lifestyles and consumer patterns into different cultures has rarely been studied systematically or comparatively.\textsuperscript{10}

Our enquiry focuses on a culturally open, small importing country, and the decades after World War Two. It is, however, based on extensive empirical material, mainly advertising copy and articles in Finnish magazines and newspapers.\textsuperscript{11} We have used different types of research material to understand the central position of the American influences and mediators, including advertisements, archive material and reports published in magazines and written by people who visited the United States after the war.

In the following passages we focus on the objects and subjects mediating the 'American' model to Finnish society. Mediators – 'agents of change' - can be divided into three related classes: new products such as jeans, hygiene products and domestic appliances; the media, i.e. newspapers, magazines, radio, television and fairs; and individuals, both organizations and human beings promoting 'American ideals'.

\textbf{widening consumer goods markets}

A material modernisation process that had begun during the first half of the Twentieth Century accelerated in post-war Finland. Private consumption doubled in the years 1952-1975. A similar magnitude of change in material affluence had taken twice as long in the first half of the Twentieth Century. During the 1950s and the 1960s there was a pronounced widening of consumer good markets and much urbanization. Less than 60
per cent of the potential working population were wage earners in the early 1950s, but the proportion was nearly 80 per cent twenty years later.\textsuperscript{12}

14 In post-war Finland, American influences were very strong in the field of popular culture which gradually became a greater and greater source of influences for the advertising business. This connection between advertising and popular culture became tighter when advertising film developed as a genre and especially because of the advent of television in the mid-1950s. American-style popular music and feature films flooded into the Finnish market. Young people, in particular, formed an eager audience for films, music, youth fashion, juvenile magazines and cartoons. The star cult introduced by Hollywood was very popular in Finland as well as in other countries. Entertainment offered ideals and themes for daydreaming.

15 The beginning of the 1950s brought a new liberalizing atmosphere, widening consumer goods markets and the flowering of popular culture. At the same time, the rationing System that had been established during the war was finally abolished. Many new consumer goods were available. For instance, in November 1950, Oy Anglo-Nordic Ab organised a presentation of General Electric’s new television set in Stockmann, the biggest department store. Finns could drink Coca Cola from 1952, the year of the Helsinki Olympics. Rock and roll music began its invasion in 1956 when the film \textit{Rock around the Clock}, with Bill Haley and the Comets, premiered in Helsinki. The police feared juvenile disorder but, as it turned out, unnecessarily so. On the night, a couple of youngsters dressed in leather jackets and jeans annoyed the forces of law and order with their jokes.

\textbf{cars, beauty, gadgets and coffee}

16 Ford had become an important advertiser in Finland in the early 1920s. However, the import of cars was only liberalised in 1963. The 1960s became the decade of the car in Finland. At the beginning of the decade, Finns owned about 180,000 cars. Ten years later, the number had risen to over 710,000. Indeed, certain products such as cars were important carriers of American influences in the post-war period.\textsuperscript{13} In spite of this, the actual number of American cars was really quite small when compared to cars imported from other European countries. American influences were also very clearly observable in beauty product advertisements, as well in those for cigarettes and entertainment products. These products were advertised widely especially in Finnish women’s magazines. In the ads for household equipment, an emphasis on the liberalization of housework was very typical. New vacuum cleaners, refrigerators, and washing machines would free housewives from hard work. But because of rising standards of hygiene and the proliferation of new tasks, the outcome was sometimes exactly the opposite: an increasing burden.\textsuperscript{14} In the Finnish market, only a few of these items were of American origin.

17 Kristin Ross has shown that in France it was cars, hygiene products and household equipment that were very important.\textsuperscript{15} She offers a very interesting interpretation of the intensification of hygiene in France after the Second World War. The nation wanted to clean up its past, and purge itself of the German occupation, the Vichy government and the terrible experiences of war.\textsuperscript{16} Finnish post-war development can be interpreted at least partly in terms of the same idea. The lost war was a very hard experience for everybody but perhaps especially the ruling class and those Finns who believed in a
German victory. The atmosphere in Finnish society during the immediate post-war years was rather tense, and many people were afraid of a 'putsch' and the liquidation of anti-Soviet circles. Metaphorically, the strong hygiene movement of the 1950's can be seen as a purification of Finnish homes in order to create a new society.

Coffee was an important stimulant for Finns. Paulig was a famous traditional coffee producer and was already a pioneer in consumer packaging in Finland in the inter-war years. It started an American style advertising campaign in 1950, centered on a beautiful, smiling Paula girl. She soon became a national celebrity. In the magazine ads she served coffee to people in different situations at work and elsewhere. The model for this campaign was brought over from the United States, which the people responsible for the firm’s advertising had visited. The campaign was a Finnish classic of personified advertising and ran for a long time.  

After the World War Two, Americanism was connected to urbanism, a carefree and youthful style of life, freedom and internationalism. This was clearly evident in advertising where beauty products and cigarettes were promoted by reference to symbols of American consumer culture. Stars of Hollywood movies and popular singers were used in ads for chewing gum, motorcycles and American cars. One of the leading Finnish producers of foods, sweets and biscuits, Huhtamäki-yhtymä, launched Jenkki ('Yankee') chewing gum in 1951 and became market leader. Huhtamäki used American style advertising campaigns successfully after the war. Its founder and manager, Heikki Huhtamäki, traveled in Europe and the United States during the 1920s and 1930s gathering knowledge of modern business methods. In the late 1950s, Huhtamäki started to export sweets and crackers to the US market.  

**retailing and the demonstration of the ‘american way’**

The first self-service stores were opened in Oulu and Helsinki during the late 1940s. This American shop type spread fairly quickly. In 1963, the number of self-service stores in Finland exceeded 1,000. Ten years later, there were three times more. Mail order retailing started in Finland in the late Nineteenth Century following the American model. It should be remembered that Finland was a sparsely populated country of long distances. Mail order retailing was a very suitable way to reach consumers in agrarian areas. At the beginning of the Twentieth Century, products like watches, bicycles, sewing machines and gardening tools were sold by this method. During the 1950s, mail order retailing grew rapidly. Its most important developer was Kalle Anttila Oy, founded in the 1930s. The business ideas of this firm were cheap prices, right of return, and low operating costs. Anttila followed the American way of mail order business, publishing a catalogue with colorful pictures, and doing a lot of advertising. The publisher of the Finnish version of Reader’s Digest, Valitut Palat, was another firm starting a mail order service on American lines at this time.

**’fairs america’– day dreams**

In Finland, fairs, exhibitions, and their press coverage had played a major role in hastening the advent of the modern age from the last decades of the Nineteenth Century. In post-war Finland the press was particularly inspired by the stands at the America Today...
exhibitions. For example, the 1953 exhibition in Helsinki, entitled The American Home, was eloquently praised in the magazines. Novel household appliances, including an oven with timer, a dishwasher, and a sink with garbage disposal, were introduced to Finnish consumers. The leading women’s magazine, Kotiliesi, described these novelties as being anything but luxuries in the New World: “Even though this exhibition looks like utopia in the eyes of the Finnish housewife it is worth noting that the objects displayed at the household stands are not luxuries in America, but can be found in normal middle-class homes”.22

22 The disparity between the prevailing circumstances and future possibilities was expressed so often it began to sound redundant. Suomen Kuvalehti, a weekly magazine with a wide circulation, wrote about the same exhibition as follows: “A piece of America in Helsinki... ordinary Finnish consumers and specialists alike got new ideas which can be realized also in our conditions. The model kitchen of the American home and its labour-saving inventions may remain a daydream for the Finnish housewife, but still it is likely that a number of new gadgets and household utensils may appear on Santa’s wish-list this year”23

23 The world’s most ‘advanced’ country had made dreams come true even for ordinary people. The essence of the modern ideal was ‘a democracy of material wealth’. What had previously been luxury items for a selected few now became necessities for everyone. By following the teachings of market economics, Finland could also climb higher on the ladder of development – provided that she acted right politically.

24 The exhibitions arranged on both sides of the Iron Curtain were an important part of American propaganda and so-called ‘cultural exchange’ in the Cold War era. In the spirit of the World’s Fairs - although on a smaller scale - the American fairs described what life was to be like tomorrow and spoke for the superiority of the market economy.24

25 However, with the development of Finnish consumer society, the tone employed in the press began to be more critical. This can be clearly seen, for instance, in the press coverage of the 1961 America Today exhibition. This had opened in Moscow during 1959, under the title People’s Capitalism. The meeting between Soviet Premier Nikita Khrushchev and Vice President Richard Nixon in the ‘kitchen of the future’ had been widely publicized in the press worldwide. It was much less of a news item that the housecleaning robots and the automatic serving carts were technically unusable products of the imagination. According to the Finnish press, it was important for Finland that the first showing of the exhibition had taken place in Moscow:

It is a good thing that a corresponding fair has already been elsewhere, e.g., in Moscow. Thus, nobody can claim that the exhibition has any provocative political purposes. Now our own homespun communists are trying to make out that the Skyblazers group doing their marvelous acrobatics with jet fighters are, in fact, one such provocation. That, of course, is only sports and play – the same thing as the black Harlem basketball virtuosos, the Brunswick automatic bowling alleys, and the latest rage in outboard motor boats.25

26 Material prosperity and the promise of new technologies formed an essential part of the ideology of a better future. Among the novelties on display at the fair was a vehicle of the future, Ford’s ‘Levacar’, which was powered by a jet turbine engine, moved on an air cushion rather than wheels, and could reach speeds of 300-800 km/h. But, nevertheless, it was the home that was at the center of the Western promise of welfare:
What do you think this row of switches is? Take two guesses! No, it is not the dashboard of the latest American rod nor the control panel of a television and radio cabinet. All these switches, timers and regulators are the automatic Controls of an electric oven. It is with such complicated equipment that the American housewife prepares roasts for her family... Big American cars, each one shinier than the next, occupy a large area in the fair. These are dream wagons out of reach of the ordinary Finn, but that doesn't prevent us from admiring them.26

27 Apart from industrial products, the exhibition also demonstrated the American way of life, the so-called 'American Spirit': “A typical feature of this lifestyle – in addition to the extremely high degree of mechanization – is a kind of relaxed sense of space and joyfulness”. The exhibition was, “first and foremost, a colorful, spacious and happy marketplace”.27

28 But such admiration was accompanied by some more critical comments. The editor of the women’s magazine Kotiliesi wrote: “Do the Americans really think that we don’t have the latest household appliances on sale here? In the past few years we women have been pampered by our importers and shopkeepers so that there is nearly any kind of household novelty available in our shops”.28 She particularly questioned the suitability of the laboratory-like ideal of a kitchen for the Finnish lifestyle.29 The differences between the Scandinavian and American styles were conspicuous: “It seemed that the American interior designers’ idea of a comfortable home did not comply with our Finnish taste. Here in the Nordic countries we are used to seeing high-class interior design and we are proud of it. Maybe the Americans were not sufficiently aware of this when they were planning the exhibition”.30

29 The United States (and Sweden) continued to be the primary objects of admiration up until the 1960s, when electric household appliances started to become more common in Finland. The criticism provoked by the exhibition reflected a phase of self-assertion and self-criticism in the emerging consumer society, something that had been unknown in the earlier phase of imitation and idolization.

individuals and organizations involved in americanizing finland

30 In post-war Finland the major proponent of new kitchen technology was the Work Efficiency Association. Since its establishment in 1924, this had been one of the most important and influential advocates of Tayloristic rationalization in Finland. It conducted the first tests on freezers at the beginning of the 1960s. However, several articles on the subject had already appeared in the 1950s in the journals published by the Institute. The first reference to the freezer in these publications in fact dates back to the early post-war years.31 Rut Wallensteen, a Swedish home economics adviser, described her study visit to the United States under the heading ‘The kitchen of an American country home’. After musing about the wonders of the washing machine, she described a room with “the most gorgeous deep-freezing cupboard... where the housewife stores fruits, vegetables, berries, meat, etc”. It was this, she remarked, that spares the housewife “the time-consuming job of preserving these foods”.32

31 In the 1950s a majority of the educational articles published by the Work Efficiency Association were written by Maiju Gebhard, a Finnish home economist who had been educated in Sweden. Thus, it is no wonder that it was Sweden, a country which
emphasized ‘functional ideals’, which was taken as the model in the Institute’s educational activities. The highly technological American society and its teachings on rationalization provided another important stimuli. The visit to Finland of Professor Lillian Gilbreth of Purdue University in 1949 is worth mentioning in this context. She was the wife of Frank Gilbreth, one of the fathers of the American theory of rationalization, and herself a zealous supporter of rationalization. To reach larger audiences, the Gilbreths became columnists for Kotiliesi, probably the most important family magazine of post-war Finland.

It is impossible to underestimate the role of the media in domesticating American values and technology in Finland. For instance, Finland was the third European country after Britain and Sweden where a national version of the Reader’s Digest was published from 1945 onwards. In the 1950s, Valitut Palat was very popular and one of the largest-selling magazines in Finland. It did a lot of direct mail advertising. Valitut Palat was published by the company Sanoma Oy which also published the largest newspaper, Helsingin Sanomat, and the very popular children’s magazine Aku Ankka, the Finnish version of Donald Duck, from 1952 onwards.

The owner of this publishing company was Eljas Erkko, who was a very important intermediator of American influences to Finland. He had been foreign minister during the war and was very well known as a Western oriented person. For instance, in the 1943, when Finland was at war alongside Germany against the Soviet Union, Erkko founded the Finnish-American Association. His influence was felt in various other areas, too. For instance, he is famous for introducing golf to the Finnish business elite in the 1930s.

Despite, or rather because of, the fact that Finland fought with the Germans against the Allies during the war, the United States became rapidly a symbol of better living and freedom. Besides, there had already been significant emigration to the United States, starting in the late Nineteenth Century. It must be remembered that after the Second World War Finland was - besides Spain - the only Western European country that did not receive Marshall Aid. The importance of the United States as a source of influences, however, was most evident in the Finnish advertising business, which highly valued the American advertising model.

Ford’s original American advertising agency, Erwin, Wasey & Co, founded an office in Helsinki as early as 1925. The new Finnish agency, named Erva-Latvala Oy in 1933, grew rapidly under the leadership of W K. Latvala and was among the largest Finnish advertising agencies for several decades. Finns also traveled to the United States to learn the new doctrines of American business life. One of them was Artturi Raula, already a pioneer of Finnish advertising in the inter-war period. Raula had very strong American connections. He had worked and spent time in the United States during the 1920s and the 1930s; was influenced by the opinion research methods of George Gallup; and in fact founded Suomen Gallup Oy (the Finnish Gallup) in 1946. Raula visited the United States again in 1951 and a book about his experiences was published in the following year by the biggest advertising agency of the time, Oy Mainos Taucher Ab.

During the 1960’s, some American books on advertising were translated into Finnish. In this way, John Galbraith, Rosser Reeves, Marshall McLuhan and Vance Packard were introduced to a Finnish audience. These books were very important sources from the point of view of the development of Finnish advertising. In the mid-1960s it was Arvo Puukari who was most instrumental in bringing American marketing ideology to Finland. He published two books, one a textbook of marketing and the other a more popular book
describing developments in American society. He was at this time the lecturer in advertising at the Helsinki School of Economics and Business Management.

There were other very important mediators of the American influences. Some US consultants taught advertising people during the 1950s. Oy Rastor Ab was founded in 1950 and brought consultants and American ideas of business management to Finland. The famous Finnish design and fashion firm Marimekko, founded in 1951, is an interesting example of filtering, transformation and the backward-and-forward motion of American business and design ideas. The founders of the firm were Arm and Viljo Ratia. The former became the guiding spirit and visionary of the enterprise. She hired talented designers to create the fashion products that built Marimekko’s reputation. During the period 1956-1968 Marimekko became a widely known American style brand, the first in Finland. The company’s great breakthrough took place after the Brussels World Exhibition, where Benjamin Thompson, the owner of the American design retail shop Design Research, was thrilled at Marimekko’s products. Marimekko’s design concept included ideas from architecture, sculpture, geometry and international traditions of art and design. The firm received enormous media attention around the world when Jacqueline Kennedy wore one of Marimekko’s well-designed dresses during the 1960 presidential campaign. In this case Finnish design received enormous attention and the demand for Marimekko’s products soared in the United States. American magazines like Life, the San Francisco Chronicle and Vogue praised Finnish fashion products at the beginning of the 1960s. Marimekko received the Neiman-Marcus award for design in 1968. American influences were found in Marimekko’s designs as well. Linkages between Vuokko Nurmesniemi’s works and the paintings of Jackson Pollock were observed. Maija Isola’s and Annika Piha’s clothes were described as a kind of collective “pop-art of fashion”, a reference to Andy Warhol’s paintings. The founder of the company, Arm Ratia, had a background in the advertising business. She visited United States regularly. Among her friends were such figures as famous futurist visionary and architect Buckminster Fuller.

More generally Finnish business life, with Marimekko as an exceptionally strong case, was modernised according to the American model. For instance, Teuvo Aura, a minister and bank CEO, provided a ‘leader grant’ that allowed the first Finnish purchase of a computer for corporate use. Aura was stimulated by an excursion to the IBM laboratory. Later on, he was active in modernizing Finland as a member of the governmental bodies of Finnish IBM and many funding organizations.

Many of the most active minds in Finnish society received Fulbright grants and spent time in the USA. For instance, both modern sociology and economics were imported from the United States in the years before the 1980s. The donor country called this ‘cultural exchange’. A typical example was the young student Osmo A. Wiio, later professor of communication at the University of Helsinki, who visited the United States during the 1950s and reported his experiences (about rockets, computers and modern science, amongst other things) in several articles and booklets. Indeed, exchange students became an important source of information about America in the post-war period.

**theoretical interpretations and conclusions**

The development of consumer society in the Finnish case after the Second World War can be described in evolutionary terms. An emerging and evolving American cluster in the Finnish context developed, for instance, when the Erkko family, with many cultural
products of American origin, captured a notable share of the local media market. More formally, it is possible to talk of auto-catalytic or self-propagating cycles (rather than clusters) which existed through self-production. As clusters generated surplus to their members (profit, wellbeing etc.) their ability to survive increased. In time, American clusters also became integrated with other, similar blocks in both Finland and other countries. The original elements of these cycles consisted of almost purely ‘American’ objects – ideas, patterns of meaning, human beings and material artifacts – which promoted each other. In the early phase ‘foreign’ objects were internally coherent but with only minor amount of contacts to the receiver culture. In time, however, their ‘foreignness’ vanished and they became integrated (through processes of normalization, domestication, internalization, socialization, appropriation etc.) into the domestic Systems of meanings and ecology of goods, resulting in stable clusters of meanings and artifacts.

The ‘Americanization’ of Finland did not take place in the flow of physical artifacts but mostly in the form of ideas and cultural goods (Table 1). Small artifacts such as records, comics and cosmetics were both the materializations and carriers of the idea of modern society. In fact, most of ‘American’ technology, including big domestic appliances, was produced either in Finland or in Sweden, the UK or Germany, which were the most important trading partners of Finland in this period. In many cases, American products were either too big or too expensive for Finnish consumer markets. Besides, the rather small Finnish consumer markets were not too attractive for American firms. The transaction costs, import fees, costs of packing, freight, and so on were simply too high.

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some paradoxes

Arthur Asa Berger, a well-known researcher of popular culture, has maintained that Finland is probably the most Americanised country in Europe. In this early phase of our study we feel somewhat ambivalent about this claim. In post-war Finland the source of modernity was quite different for the economic elite and ordinary consumers. The former group believed in a centralized and regulated planning system. For instance, formal trade agreements with the USSR were an important part of Finnish economic modernisation. Indeed, a market economy in this sense really only emerged in Finland at the beginning of the 1980s, when, for example, the Finnish money markets were liberalized in line with US and British conceptions. However, from the very beginning, Finnish consumers and media took their ideals from Anglo-Saxon market economies. Certainly, the role of intermediaries was important. Narratives about American consumers provided the model of the future. The relative circulations of Reader’s Digest and Donald Duck were the largest among the European countries in the 1960s. Finnish consumers welcomed the democratizing effects of widening consumer goods markets and increasing material wealth. This was especially important during the Cold War and the ideological battles of 1945-1989.

The latest American technology was always sure to be newsworthy. But consumers did not all react alike to the American promises. Everyone had their own way of reading their Donald Duck. Each buyer of a Westinghouse freezer viewed it from within their own interpretative framework.

The sources of modernity were quite different in different sections of the intellectual elite. For instance, advertising people took their model quite directly from the United States. By contrast, designers and architects, from the same professional and educational background, took their model of modernity from European sources, condemning Americanization as a banal and decorative style, mere ‘nameplate engineering’. In fact, Nokia’s mobile phones and Marimekko products were already in the 1960s the first successful attempts to integrate the US design tradition with its Finnish counterpart.

One paradox of Americanised Finland is related to the interior decoration of Finnish homes. At least on the basis of anecdotal evidence, Finnish households were light years ahead in their ‘modernistic style’ when compared with their counterparts in the USA. The values of simplicity and functionalism were propagated both by the intellectual elite and retail outlets. Furthermore, it is somewhat paradoxical that domestic appliances were sold and advertised to Finnish consumers by offering the housewife the possibility of liberating herself from the ‘slavery’ of housework, although the central European and American housewife model did not root in Finnish society. In post-war Finland, women were needed as workers. Indeed one key feature of Finnish society was the comparatively high rate of female participation in the labour force.

shared ideals

One thing that seems to make Finland’s Americanization so specific is the almost total lack of Anti-Americanism. The reasons for this are various. One obvious reason is the fact that Finns knew very well that the alternative was the Soviet System. Another possibility...
is the fact that both Finland and United States have had quite short and similar periods for 'cultural evolution'. In both countries the progressive tone in nation building may be related to a sort of 'new frontier' ideology. In the United States the successive adaptation to environmental conditions by settlers took place along the frontier. A combination of individualism and collective responsibility arose. A sort of democracy of material wealth was at least present as a manifest value, even if it was not necessarily actualized. It is perhaps appropriate to see Finnish history through similar lenses. It is a well known cliche in Finland that society and material well-being started when Jussi went into a swamp and transformed natural soil into agrarian land. The strong pioneering spirit of the settlers in the American West was equally evident among Finnish peasants clearing their own wilderness. The American values of freedom and democracy were well suited to Finland, where no court or strong nobility ever existed, unlike in so many other European countries. Finnish society had strong peasant roots, an egalitarian tradition and national unity that was tested during the civil war of 1918 but regained during the very difficult years of the Second World War.

Today, it may be asked who is following whom in value exchanges. According to the well-known researcher Ronald Inglehart, it is misleading to view cultural change as 'Americanization': "Industrial societies are not becoming like the United States. In fact, the United States seems to be a deviant case, as many observers of American life have argued... its people hold much more traditional values and beliefs than do those in other equally prosperous societies... If any societies are at the cutting edge of cultural change, it would the Nordic countries."

geographical position as a source of country image and modernizing discourse

American exhibitions were exported to many countries behind the Iron Curtain. This might explain why Finland was also among those countries. However, the Finns did not recognize themselves as a part of Eastern culture. Their attitudes toward these exhibitions changed in the 1960s. In the 1950s, articles dealing with the America Today exhibitions took as their starting point humbleness and excitement. By the turn of the 1960s the reception was much more critical.

The United States became known to the Finnish consumer as a very homogeneous entity. Certainly the way in which the United States was referred to naturally did wrong to the diversity of a vast nation. Be that as it may, the press coverage in Finland makes it unquestionably plain that what American consumer society represented to Finns in the post-war years was an abstract and homogenous promise of a better future. It was not until the late 1960s that this object of imitation began to be seen as more controversial. The ensuing debate about environmental issues and the Vietnam War gave rise to a new, more critical attitude. The more Finland was Americanised, the less America was worth imitating. In our future research, we will attempt to explain this change.


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PANTZAR M. 2000. *Tulevaisuuden koti. Arkisia tarpeita keksimässä* [How needs of future home has been invented], Otava, Helsinki.


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NOTES

1. Suomen Kuvailehti, 47, 1948, p. 16-17. The authors gratefully acknowledge helpful comments from Ilpo Koskinen, Tanja Kotro, Matti Rautiola and Elisabeth Shove; and financial support granted by the Chancellor of the University of Helsinki.


4. In this article we want to emphasize the role of mediators – persons, images and surrounding products – introducing new cultural landscapes. The activity of mediation could well be called ‘hypermediation’, “the way in which subjective experience of technological is forestructured by media”. See M. Carroll, Popular Modernity in America, New York, Suny Press, 2000, p. xii.

5. Kavaposti, 22, 1961 [emphasis added].


10. Strasser et al. 1998.


17. HEINONEN and KONTTINEN 2001: 144-145.
18. Around the turn of the 1950s and the 1960s teenage stars were recruited for advertising campaigns. Popular singers advertised cloths, and masters of rock and jive dancing promoted the King Cola drink. At this time Amer-Tupakka Oy was one of the most innovative users of American style advertising campaigns. For instance, it had already launched its Boston cigarettes with large print ads and television shows in the mid-1950s. At the beginning of the 1960s, Finnish cigarette factories begun to produce famous American brands under license.
23. Suomen Kuvailehti, 46, 1953, p 31
26. Ibid.
27. Ibid.
29. Oddly enough, in the Daily Mail Ideal Home Exhibition of 1961, the Finnish Nursery was dismissed as being “delightful if only for its graceful simplicity”. (D. RYAN, The Ideal Home Through the Twentieth Century. Daily Mail Ideal Home Exhibition, London, Hazar Publishing, 1997, p. 128). The catalogue of the exhibition pointed out that it appeared to have been designed more for the convenience of those in charge of children than for the children themselves. (ibid.: 127-128). In contrast “The American Nursery”, called “A Room for a ‘Little Man’ to Grow In”, was equipped for a toddler, with robust fittings and many items to encourage manual dexterity” (Ibid.: 128).
32. WALLENSTEEN 1948: 22.
34. HEINONEN 1998: 203.


42. In the United States the positive meanings of technology seem to center around liberty, control, and efficiency. According to Mick and Fournier these values were originally identified by Tocqueville over 150 years ago but are American core values even today (D. MICK & S. FOURNIER, “Paradoxes of technology: Consumer cognizance, emotions, and coping strategies”, Journal of Consumer Research, 25, 1998, p. 123–143). The Finnish value studies have shown that these also fit well with a Finnish value map (PANTZAR 2000).


ABSTRACTS


AUTHORS

VISA HEINONEN
University of Helsinki and National Consumer Research Centre

MIKA PANTZAR
University of Helsinki and National Consumer Research Centre
Americanisation in British consumer markets, 1950-2000

James Obelkevich

American consumer goods companies have been successful in Britain ever since the late Nineteenth Century. Ford, Mars, Heinz, Colgate, Gillette and many others are as much household names in Britain as they are in America. But what were the consequences of the American ‘invasion’? To what extent have British consumers - and consumer goods companies - been Americanised?

The current view is that the consumers were indeed Americanised, simply by virtue of using goods produced by American companies; this is often considered a bad thing, moreover, by those who believe that it undermined the British way of life and national identity. The usual verdict on British business, on the other hand, is precisely the opposite: that it was not significantly Americanised, and that it would have been better if it had been.

My aim in this chapter is to reconsider the Americanizing process in a period, the second half of the Twentieth Century, when American direct investment in Britain was at its peak. What emerges is that British consumers were less Americanised, and British consumer goods companies more Americanised, than has been supposed.

CONSUMERS

In ‘Mrs John Bull’s Diary’, the alarmist first chapter of McMillan and Harris’s *The American Take-Over of Britain* (1968), virtually everything she does in the course of her day involves some American product or other. She wakes up at 7 am when her Westclox alarm rings, and on getting up she lays out her husband’s Gillette razor and Old Spice aftershave; the list continues with her Playtex girdle, Max Factor lipstick, Maxwell House Coffee, Tetley Tea, Keilogg’s cornflakes, Quaker Oats, Fairy Liquid, Brillo Pads, Ajax, Ford Anglia, Esso, Goodyear tyres, Safeway supermarket, Mars Bars, Timex watch, Black and Decker tool kit, Kodak film, Parker Pen, Reader's Digest, Yale lock, Coca-Cola, Monogram electric blanket, etc.¹ This was not just nationalist panic. As Dunning had shown in the previous decade,
American companies had gained leading shares in a dozen or more British consumer markets. But both the success of those companies and the effects on consumers have been exaggerated and misinterpreted. It has become almost the received wisdom that all American companies in Britain were successful; that all of their products were popular; that they could somehow impose their products on British consumers; that their products were intrinsically American; that they revolutionized consumer tastes and habits. Yet a look at the evidence casts doubt on all of these familiar claims.

In the first place, the American companies had failures as well as successes. More than one such company entered the British market, launched its products, lost money (sometimes quite large amounts), gave up, and pulled out altogether. Some, like Campbell’s Soup, persisted through ten or more years of losses, eventually went into the black, but never came close to matching their American results. And otherwise successful companies had failures with individual products. Betty Crocker cake mix is perhaps the best-known example in a long list that ranges from Jello to Gillette’s 7 Flags aftershave. Even mighty Procter & Gamble had setbacks with products like Gleam toothpaste and Downy fabric conditioner. Of course the majority of new products fail, even in home markets. But the fact that a product was popular in America was no guarantee it would succeed in Britain - a lesson some overconfident American companies learned the hard way.

These failures also refute claims that American companies could somehow overwhelm British competitors and impose monopolies. Britain was not a command but a market economy, after all, and by the late 1950s most consumer markets were highly competitive, leaving consumers spoilt for choice. In these crowded markets American companies certainly did not have everything their own way. They faced tough competition from British, European, and later Japanese companies, not to mention American rivals. Procter & Gamble, engaged in a ‘holy war’ with its Anglo-Dutch arch-rival Unilever, had its successes; but in head-to-head competition with Lever Brothers between 1968 and 1983 Lever came out ahead in five markets out of six. There was no American corporate steamroller. Consumers picked and chose what they wanted from America (and from France or Japan or wherever) and ignored the rest. No one was forced to eat at McDonald’s.

It is usually taken for granted that when British consumers purchased the products of American companies, those products must have been American. But were they? To go beyond mere casual observation of American brand names we need a strict definition: a genuinely American product must have originated and been developed in the US; the product marketed in Britain must be physically identical with the one marketed in the US; and it must have the same brand name, packaging, advertising, and positioning. On this definition, many apparently American products marketed in Britain were not really American at all.

Some were in fact entirely British in origin: the only thing American about them was the fact that the companies that developed and produced them now happened to have American owners. Examples include Bird’s custard powder, Marmite, Bovril, and Frank Cooper’s Oxford Marmalade. When American companies took over British companies, they were more likely to carry on with the existing products than to introduce American ones. Pepsi-Cola, on acquiring the crisps brands Walkers and Smiths in the late 1980s, did...
not replace them with its American brands. Instead it concentrated on Walkers, investing heavily in manufacturing, packaging, and distribution (as well as advertising), and turned a modest regional brand into a dominant, highly successful national one - but not into an American one.

Many British subsidiaries, moreover, created entirely new products of their own, specifically for the British market. The Ford Cortina, designed and produced by Ford in Britain, became one of the most popular cars in the country, yet was never launched in the United States. Procter & Gamble was another American company whose British subsidiary usually developed specific brands for the UK. (Indeed, most of the brands of this ‘global’ company in the 1990s were still local or regional: of over 300 brands, only three were truly global). There also were examples of British subsidiaries developing new products intended not just for Britain for the company as a whole, including its home American market: Gillette’s GII razor, for example, the first twin-blade Systems razor, was developed in the Gillette R and D establishment in Reading and sold around the world. Of the ‘American’ products sold in Britain, most were probably of British origin.

Even those that were of American origin were not always physically identical with their American counterparts. Many an American company kept the American brand name for its British product but varied the product itself, to make it more agreeable to local tastes. Heinz Tomato Soup had one recipe in America and another in Britain. (And the British product was far more popular in Britain than the American one was in America). Similar examples could be multiplied. The Mars Bar is not the same in northern Europe as it is in Southern Europe; in Japan, Coke itself is slightly sweeter in the south than in the Tokyo area. It is well known in marketing circles that even the biggest multinationals, for all their brave talk about global brands, constantly make regional and national adjustments of this kind. Nor was it only the physical formulations that were altered. There were national variations in brand names (the Gillette GII, for example, was marketed in the US as the Trac II), packaging and, not least, advertising. Even the Marlboro cowboy was not the same in Hong Kong as in Heidelberg; while advertising for McDonald’s was created separately in each country, there being no common campaign across Europe.

On this evidence it seems likely that a large proportion of the American products on the British market fail to meet the criteria for Americanness suggested above. And since they were not really American, those who used them could not possibly have been Americanised. Similar points apply to globalization. Palmolive soap was considered a global brand, yet in 1980 was sold in nine different shapes, twenty-two different fragrances, and seventeen different packages, and under “two very different strategic positionings”.

An authority on the toiletries market has remarked, “if products are identical in ingredients, positioning/concept, brand name, packaging and communication”, then the brand is “truly international”. But he had “never come across such a product”.

Even when the British product was the same as the American, the ways in which it was used, and its meanings to consumers, were likely to differ. American pizza chains operate in both countries: but in the American restaurants, customers pick up the pizza and eat it out of their hands, while in Britain they use knife and fork. Listerine mouthwash, in America, was a normal part of the morning routine; in Britain, usage was occasional and quasi-medicinal. And although American products dominated certain British markets, they were weak or absent in others. In the cinema, American movies were more popular than British (though audiences were declining); but on television - vastly more popular
than the cinema - the overwhelming majority of the programmes were British. In such an important area of consumption as alcoholic drink there was little American influence. British consumer habits remained reassuringly British.

CASE STUDIES: MCDONALD’S AND COCA-COLA

Two companies, McDonald’s and Coca-Cola, are invariably singled out in discussions of Americanisation. These villains of the piece not only symbolize the process but are believed to possess a power to dominate markets and to impose American tastes and habits that is virtually irresistible. Once again a closer look at the evidence suggests otherwise.

McDonald’s, the more recent arrival, has undoubtedly flourished in the British market. In 2000 it was estimated that a million people ate in its British restaurants every day. But there was nothing automatic or pre-ordained about its success. When it opened its first restaurant in Britain in 1974, it was anything but all-conquering. It initially suffered heavy losses (as in most of the countries where it has set up new franchises) and took five years to make a profit. Nor did it succeed by mechanically imposing its American formula on the British and simply waiting for resistance to fade away. On the contrary, its fortunes changed only when it dropped its American policy of locating restaurants in the suburbs and began instead to open new outlets in city centres. Indeed, the company is much less rigid in its approach than is often supposed. Of course, customers can expect certain things in McDonald’s everywhere, including cleanliness, quick service, good quality ingredients, and a welcome for families and children. But criticisms of ‘homogenization’ seem misplaced. One of the keys to its success is precisely its flexibility in adapting to local circumstances - which it shows even in the selection of food offered on its menus. Contrary to the familiar claim that it offers the same narrow range of exclusively American dishes in every country around the world, the various subsidiaries regularly drop standard dishes where demand is weak and introduce new ones in response to local tastes. In Britain, for example, it developed Oriental McRib and its own version of a classic local dish, McChicken Korma Naan. Elsewhere, national specialities include Maharaja Mac in India and its two most popular dishes in Japan, Teriyaki McBurger and Chicken Tatsuta, both of them unique to that market.

Still another misconception about McDonald’s is that it dominates the British fast food market. It is true that in 2000, with sales of around £1 billion, McDonald’s dominated the burgers sector, worth about £1.7 billion. But its share of the market as a whole, estimated at £7.3 billion, was only 14 per cent. The largest sector, with sales of over £2.5 billion, was sandwiches. And the mere mention of that quintessentially English invention ought to cast doubt on any claim that McDonald’s, or America, has transformed the nation’s eating habits. Fast food was popular in Britain long before McDonald’s arrived on the scene - sandwiches had originated in the Eighteenth Century and fish and chips in the second half of the Nineteenth. Hamburgers too had long been available, and indeed from British chains such as Wimpy, where unappetizing food was served in cheerless surroundings. McDonald’s did not start something new: it did an old thing better. And while the British diet has undoubtedly changed a great deal in the last half century, many of the most notable additions - Italian, Indian, Chinese, and Greek - have nothing to do with McDonald’s or with America. And considering the popularity of sandwiches in America, Britain has probably had more influence on American food than America has on British.
There are similar doubts about ‘Cocacolonization’. When Coca-Cola entered the British market, in the inter-war period, it was anything but a runaway success, and for many years its results in Britain were “lacklustre”. (It blamed the “drizzly weather”, the taste for warm beer, and an unfamiliarity with ice-cold drinks.) In the last few decades, it is true, there has been a dramatic growth in soft drink consumption: one authority calls it the “greatest change in British drinking habits in modern times”. But this cannot be attributed to Coke. The growth of the soft drink market as a whole began around 1970, whereas sales of Coke did not improve significantly until the late 1980s (following the company’s partnership with a British firm, Cadbury); the popularity of Coke was not a cause of that growth but a consequence.

Even now, Coke plays a smaller role in the British soft drinks market than is often supposed. It of course dominates sales of cola. But colas (in 1999) only accounted for half of the carbonates sector, and with carbonates in turn accounting for no more than half of the soft drink market as a whole, Coca-Cola’s overall share (including products other than Coke itself) was a little over a quarter. Most of the soft drink consumed in Britain was not Coke; in Scotland, Irn Bru outsold Coke in the 1980s by three to one. And in Britain as a whole, consumption of Coke remains far below American levels. Has Coke Americanised Britain? It would be more accurate to say that Britain has anglicized Coke.

**BUSINESSES**

It is widely agreed that American influence on post-war British companies would have been a good thing if only there had been more of it: that all too often, as research on the Anglo-American Productivity programme has suggested, American business methods met with indifference, scepticism, or outright resistance. But it may be that we have not looked in the right places. There was no lack of American influence in retailing, for example; and even within the manufacturing sector, our focus on production and organization has led us to overlook the decisive American influence on marketing.

In retailing, it is well known that virtually all of the main post-war innovations - including self-service, supermarkets, shopping malls, discounting, and trading stamps - were of American origin. But the ways in which British retailers became aware of them deserve closer attention. The role of government, significantly, appears to have been minor. Far more influential were the American retail chains that operated in the British market. The most important of these, Woolworths, was still the largest retailer in the country in the late 1960s; and the Safeway supermarket chain, launched in Britain in 1962, was the first to introduce “in-store bakeries, money-back guarantees, larger stores with wider aisles, refrigerated displays, freshness control dating, delicatessen, and self-service produce”. (The influence of Wal-Mart, which acquired the Asda chain in 1999, remains to be seen). Mention should also be made of several American retailing executives who came to work in British stores: David Dworkin at BHS and elsewhere, John Hoerner at Burton, and Ann Iversen at Mothercare and Laura Ashley. But some of the most important Americanisers were British retailers who crossed the Atlantic to see the American methods for themselves. Among them were such figures as Simon Marks of Marks and Spencer (in 1924); Jack Cohen of Tesco (1935, 1939, 1947); Albert Gubay, founder of Kwik Save (late 1950s); Richard Tompkins, who reintroduced trading stamps (late 1950s); and John Hall, who was so “impressed by US all-in-one shopping malls” in
1979 that he returned to Britain “resolved to build one” - and did, opening the Metro Centre in Gateshead in 1986.²¹

American influence on British advertising, on the other hand, has rarely been acknowledged. Indeed the common assumption is that British advertising could not be more unlike its American counterpart, that it has unique qualities of wit, irony, and humour, and that it is entirely home-grown, an immaculate expression of the British creative spirit. In fact this type of advertising originated in America, nearly half a century ago. It was a New York agency, Doyle Dane Bernbach, that started the trend, producing the famous campaigns for Volkswagen and Avis and other. Soon their work attracted attention in Britain as well. Young creatives like Charles Saatchi were inspired by it; several even went to New York to study advertising or to work in agencies there. Only later, in the 1970s, did the new style become associated with Britain (while in America it was a casualty of the first oil crisis). But its origins, as even the more self-congratulatory of the London agencies will admit, lay in Madison Avenue.

The American influence was greatest, nevertheless, on the manufacturers. Indeed, companies in the so-called FMCG (fast moving consumer goods) markets could hardly avoid it. They came up against American giants like Mars and Procter & Gamble, which in the decades after the end of the war were among the best-run companies in the world; not to observe and to learn from such formidable competitors was to risk being swept aside by them. Companies like Procter were good at everything¹¹: not only production, but research and development, industrial relations (where they paid higher wages and had fewer disputes than British firms¹²) and, not least, marketing. In a business culture where gentleman amateurs, old school ties, intuition, and the rule of thumb were still to be found, the American companies were bastions of meritocracy and hard-nosed professionalism. Their thoroughness was startling. Systematically, relentlessly, they tested, quantified, analyzed; one former manager at Mars recalled that the company “tried to measure everything possible, everything in sight”. The Americans had a distinct sense of purpose about them, they took business seriously (too much so, the British sometimes thought), they tried harder. British managers with experience of both American and British companies described the former as “exhilarating” and the latter as “lethargic and uninspiring”.¹³ At Procter & Gamble, a British observer remarked, managers had an “intellectual drive” and an “application or dedication” that was “rare” in British business.¹⁴ British companies setting out to modernize themselves could hardly have found more imposing models.

The Americans’ most important contribution, nevertheless, was not in any general quality of dedication or enthusiasm. It was more specific: their new conception of marketing. Most British firms in the 1950s were ‘production-oriented’. They decided what to produce, produced it, then tried to persuade people to buy it (or, in a sellers’ market, where supply lagged behind demand, they easily sold everything they made). The marketing approach, by contrast, was consumer-driven: a company talked to the consumers, found out what they wanted, then developed its product accordingly, systematically adapting every aspect of it to meet consumer preferences. Sales and profits came not from inducing consumers to buy what the company wanted to make, but from making products that consumers wanted to buy. This approach was adopted not only by companies making more expensive products such as electrical appliances but also (and perhaps even more vigorously) by those in the FMCG sector, producing inexpensive, everyday packaged goods sold in confectioners or grocers. Today, marketing in this
modern sense is practiced by businesses of every kind. But in the late 1950s and 1960s it was a fundamentally new approach. It was moreover a conspicuously American one. The big American companies were its acknowledged masters; and having perfected it in their home market, they were achieving impressive success with it in Britain. Its historical moment arrived in the late 1950s. With austerity and shortages coming to an end and consumers newly affluent, a sellers’ market rapidly gave way to a buyers’ market; no longer was it enough for companies simply to produce: they now had to produce what consumers wanted. And that was precisely what marketing would enable them to do. Among British companies in the consumer goods sector, marketing suddenly became fashionable, even trendy; people spoke of it as a ‘religion’, with its gurus and eager converts. It spread remarkably quickly. By the end of the 1960s the ‘marketing revolution’ had largely run its course; no self-respecting company in the FMCG sector was without its marketing department, market researchers, and brand managers. Today this American innovation is a permanent part of the British way of doing business.

If marketing was consumer-oriented, then market research, providing the all-important information on consumers, was at the heart of the marketing process. But in the production-oriented 1950s it was still something of a novelty. Many traditional companies had not heard of it, or claimed they did not need it, insisting that they already knew everything about their customers that was worth knowing. Like marketing as a whole, market research was largely an American speciality, and its growth in Britain owed much to American influence. Even in the 1950s it was being used extensively by the leading American companies (and a few British ones), several of which had set up their own in-house research departments. American research companies like Gallup and Nielsen had opened British offices in the 1930s; and after the war a number of individual American researchers came to Britain and played important parts in the expansion of the industry. These included Bob Worcester, founder of MORI; Elizabeth Nelson, one of the founders (in 1965) of Taylor Nelson, now the fourth largest market research company in the world; Judie Lannon, at J. Walter Thompson; and Bill Schlackman, an innovator in qualitative methods and trainer of many British researchers. Most influential of all were the big American advertising agencies. J. Walter Thompson (JWT), the largest in Britain and generally acknowledged as the most modern and innovative, had established its own research subsidiary, the British Market Research Bureau, in the early 1930s, and research departments were created in the other leading agencies.

A perhaps surprising feature of the American approach was a strong emphasis on the functional performance of the product itself. So often it is said that consumer products are all the same and that the only difference between them is their advertising. But that was not the view at Procter or Mars or Black and Decker. They knew that consumers wanted products that worked, that were reliable, convenient, and safe; if a product did not perform well, they might try it once, but they would never buy it again. Product quality therefore became a high priority. When Procter & Gamble developed a new product, their rule was that it must be functionally superior to existing rival products, and that this had to be demonstrated not only in the laboratory but by consumer panels; if users did not show a clear preference for it over existing products, it was withdrawn. Another champion of product excellence was Black and Decker, whose electric tools, awarded top ratings from Which? both for technical quality and for value for money, dominated the market. High standards in supplies and materials were another hallmark of these companies. When McDonald's opened its first restaurants in Britain, some
suppliers regarded its standards as “too good for consumers” and were puzzled why McDonald’s wanted to “spoil” them. At Mars, quality control verged on perfectionism. It was said of Forrest Mars that if he spotted even a pinpoint irregularity in a chocolate coating or a wrapper, he would have the whole batch thrown out. In the automobile industry, it was an American company, Ford, that in the 1950s first introduced proper standards in after-sales service. (A collapse in quality control and reliability was one of the main causes of the later decline of the American car companies). Even the Hollywood movie studios followed the basic marketing principle of offering a quality product and of adapting it to the consumer. Large teams of writers produced draft after draft as they polished and perfected the scripts; viewer reactions in test screenings prompted last-minute alterations (as in Fatal Attraction) to maximise audience appeal. The emphasis on the product did not imply any high-minded distaste for advertising. Indeed, the ‘adspend’ of American companies was usually larger than that of their British competitors. But their advertising typically reflected the same functionalist bias, with a hard-sell emphasis on product performance and user benefits, while the British, as suggested above, tended increasingly to prefer the soft sell. In the ‘blade wars’ of the 1960s, the Wilkinson ads highlighted the company’s glorious past, appealing to patriotic emotion, while the Gillette ads focused on the blades themselves.

That is not to suggest that the American companies were product fetishists. In fact they brought their systematic approach and intensive use of market research to every aspect of their products: the brand name, colour, size, ‘feel’, fragrance, packaging, advertising, mode of distribution, after-sales service etc. Anything about the product that affected consumers, their attitude to it, and their willingness to purchase it, was to be made as pleasing and satisfying as possible. Even the mundane matters of ordering, purchasing, and delivery could be made more convenient and user-friendly. Avon’s direct-sales method, introduced in Britain in 1959, was so popular that the company gained brand leadership in a number of cosmetics markets in less than ten years; Dell introduced telephone sales of computers; Domino’s was the first to provide home delivery of pizza (in 1985). McDonald’s and Wal-Mart offered cheerful service in addition to their low prices. Toll-free telephone numbers, to encourage customer feedback, were displayed on packaging and in television commercials.

What made the marketing of the American companies so effective was the remarkably thorough and systematic way in which they went about it. At every stage there was rigorous testing, both of the products themselves and of consumer reactions; and at the end of the process came the test market, enabling the company to gauge demand and to do any last-minute fine-tuning before deciding whether to launch the product nationally. It is true that there was a downside to the process. It was inflexible - at Procter & Gamble, it is said, the entire procedure was written down in a book, and managers were required to follow it to the letter - and it was slow. Procter sometimes kept a new product in test market for years, allowing swift-footed competitors to bring out their own products, and market them nationally, while Procter was still poring over sales figures from Newcastle or Cleethorpes. But by and large American-style marketing worked well. The American companies prospered with it, and by the early 1960s their British counterparts were anxious to follow suit.

How then did British companies learn the new approach? There were three main intermediaries: American manufacturers, American advertising agencies, and the academic marketing experts at American business schools. Probably the most important
of the three were the big American manufacturing companies themselves. A few of these companies - Procter & Gamble and Mars and one or two others - emerged as a kind of marketing elite, with a sophistication and professionalism that commanded respect not only by their immediate British rivals but throughout the consumer sector. They not only practiced marketing, moreover, but also taught it. The ‘classical’ training they provided for their able young British graduate recruits was by common consent the best marketing education in the country; Mars and Procter, along with Unilever, were often referred to as ‘universities’ of marketing. Many of the managers they trained eventually went on to other British companies, where they introduced the new methods and often had successful careers. Mars alone counted among its ‘graduates’ in 1997 a remarkable number of chief executives of British companies, including Lord Blyth (Boots), Allan Leighton (Asda) and John Clare (Dixons); Procter could add many more. Nearly all were thoroughgoing marketing men.16

Almost as important as the manufacturers, though virtually ignored in the academic literature, were the American-owned advertising agencies. It is well known that in the late 1950s and 1960s, the key period for the growth of marketing, they dominated British advertising. What has been overlooked is the fact that they not only produced advertising for their clients but also acted as what would now be called marketing consultants. Market research was one of their specialities, as we have seen, and they were still doing missionary work for research in this period, gently suggesting to sceptical clients that accurate information about their customers might well be to the company's advantage. But agencies advised their clients on the entire range of marketing topics - packaging, positioning, brand names, retailing and distribution, new product development, even the formulation of the products themselves. Rowntree’s relationship with J. Walter Thompson, formed in the 1930s, was of this kind, involving marketing as well as advertising; the agency was still advising on the marketing of After Eights in the early 1960s. When senior advertising executives look back on the early post-war decades and describe their relationships with clients, the same phrases recur: “we did their marketing for them”, “we introduced them to marketing”, “we taught them how to do it”. Agencies like JWT also taught it to their own junior staff, some of whom (like Ernest Saunders) subsequently went on to have marketing-based careers in manufacturing companies. Until the mid-1960s there was more marketing expertise in the agencies than in most of their client companies.29

The third source of American marketing wisdom was marketing academics at US business schools. A few of the younger generation of British marketers (such as Archie Norman, later of Woolworth, Asda, and the Conservative Party) even went to America to hear the gospel at first hand. But it was not necessary to cross the Atlantic. Students at British business schools were taught marketing as an essentially American discipline, with American textbooks and an overwhelmingly American academic literature. Even now, the most widely used textbook is by Philip Kotler, at Northwestern, and it is American authorities who dominate the field.30

This argument about the Americanisation of British marketing needs to be qualified in two ways. In the first place, the pioneers of marketing included a few British companies. Unilever, the outstanding example, was an early convert to market research, and several of its operating companies (notably Lever Brothers) practiced the new methods with great success; it was the only British company to rank alongside Mars and Procter in the marketing elite. Respected too were Cadbury and Rowntree (with help from its American
advertising agency), which competed with Mars on more or less equal terms. Among the British advertising agencies, London Press Exchange was a notable advocate of market research, establishing a research department in the early 1930s.

The second qualification is that the Americanisation of British companies was always partial and uneven. Even in retailing, certain important features of the American approach never took root in Britain. The pervasive discounting and price-cutting in the US contrasts with its relative weakness in Britain; when British retailers entered the American market, they were shocked to find price competition which by British standards was positively ferocious - and which was the main reason why so many of these ventures failed. Nor did the American attitude that ‘the customer is always right’ make much headway in Britain. Even when the transplanting process was more successful, the result usually diverged from the American original. British market research still differs from American, both in the structure of the industry and in its research methods; although the British now use the American term ‘focus group’, the groups themselves are conducted in quite different ways in the two countries. British supermarkets, similarly, adopted American innovations without in any way becoming clones of the Americans. Indeed, own-label products, many of them innovative and of high quality, have been developed far more energetically and profitably in Britain than in America; at Sainsbury and Tesco they account for well over half of the sales of branded goods, a much higher proportion than in any of the American chains. On the other hand, although British companies were quick to accept the marketing principle, they rarely matched the Americans’ thoroughness and dedication. The British were duly impressed by the American seriousness but did not often emulate it, and perhaps did not want to. A British view of the situation in the late 1960s was offered by H.G. Lazell, a former chairman of Beecham, a company that had rather innocently launched some of its products in America in the 1950s and had had to learn the new marketing in a hurry. “The main lesson I learnt from the US”, he wrote, “was the thoroughness with which Americans went about their marketing processes... In America I was brought into contact with market research and consumer research. We use these techniques over here, but not so thoroughly or so seriously as the Americans”.

CONCLUSION

American companies were more successful in British consumer markets than anywhere else in Europe. But the consequences were not what they seemed. The Americanisation of British consumer habits was superficial, while the Americanisation of British consumer goods businesses, though less visible, was deep and lasting.

If that is a paradox, it is easy to resolve. When British consumers purchased products from American companies, most of the products had either been developed in Britain or adapted to British tastes and habits. But when British companies embraced marketing, they had to make real changes in the way they operated. A marketing-oriented business was very different from a production-oriented one. The notion that marketing (and business in general) required training and professionalism; that deciding and designing what to produce was as important as actually producing it; that cheap, mass-produced products should be taken as seriously as luxury goods; that everything about a product should be tailored to suit the customers (even when most of them were working-class
housewives); that a concern with such products and customers could be a fitting career for university graduates; these were new ideas in British business.

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BIBLIOGRAPHY


NOTES

ABSTRACTS

La vision traditionnelle de l'influence américaine dans la Grande-Bretagne de l'après-guerre consiste à affirmer que les consommateurs britanniques furent américanisés, mais que les entreprises ne le furent pas. L'objectif de cet article est de contester cette vision. Les consommateurs britanniques furent de fait des acheteurs de nombreux produits fabriqués par des entreprises américaines. Mais étant donné que beaucoup de ces produits étaient en fait beaucoup plus britanniques qu’américains, leurs consommateurs pouvaient difficilement être considérés comme américanisés. En revanche, la conception moderne des méthodes de commercialisation était, sans aucun doute, américaine. Leur adoption très rapide par les entreprises britanniques de biens de consommation dans les années 1960 fournit un exemple parfait d’américanisation.

AUTHOR

JAMES OBELKEVICH

Formerly of the University of Warwick
Changing a low consumption society
The impact of US advertising methods and techniques in Italy

Luciano Segreto

introduction

1 In Italy the processes of industrialisation and modernisation began later than in many other Western European countries. In terms of the political, it is even possible to argue that Italy is still waiting for real modernisation. The sociologists think that modernisation was connected to post-1945 industrialisation, the process that - in their words - transformed Italy from an agricultural country. Sometimes even historians are inclined to think that effective Italian industrialisation is really only a relatively recent phenomenon. This opinion is based upon a misreading of the GNP data. For, on the eve of the First World War, it is clear that Italy was already among the main industrialised countries, clearly distant from others in Western Europe. In the inter-war period, its position remained virtually the same. The spectacular economic and industrial development of the country between 1953 and 1963 produced a new image. The phrase ‘the Italian economic miracle’ summed up the complexity of the transformation experienced at this time.

2 In these years, Italian average annual GNP growth was second only to that of Germany. Emigration became an internal phenomenon with the displacement of millions of Italians from the Southern regions to the North, the so-called industrial triangle (Milan, Turin, and Genoa). In general, the young abandoned the countryside, while the female working population grew significantly, including in industrial sectors. There was also a related boom in consumption, based around goods like cars, refrigerators and televisions. This, in turn, encouraged new social values and changed the popular mentality. The US emphasis on economic growth and democracy gained salience. Nevertheless, it is important to stress that the most powerful and influential political parties in Italy, the Christian Democrats and the Communists, remained - for different reasons - rather sceptical about the American way of life. Pope Pious XII warned the Coltivatori Diretti, the catholic conservative peasants’ organisation, to preserve the rural population’s traditional Christian values (hard work, thrift, etc.) from the “materialistic propaganda” of the
audio-visual media. The famous Communist writer and poet, Pier Paolo Pasolini, expressed similar sentiments, and campaigned against the “all powerful” TV advertising programme Carosello, which, he claimed, promoted materialistic and anti-religious values.

1 In fact, Catholic and Communist anti-industrialist prejudice was strong enough to long inhibit the full affirmation of an industrial culture. This is probably the reason why hostility to advertising has been more rooted in Italy that anywhere else. The values of the enterprise, entrepreneurship, profit, consumption and, of course, advertising have struggled to establish themselves. In the post-1945 period, the social context was still dominated by values diffused and preserved by institutions like the family and the Catholic Church. To accede to the pleasures of consumption meant to prefer materialistic rather than traditional, spiritual dimensions of life. In this kind of culture, the virtuous man was still considered to be the man who saved. Indeed, the new materialistic temptations easily induced unease and even guilt. The woman who used detergents and the washing machine – instead of soap and her hands – was seen in some quarters as failing in her duties as wife and mother. Thus, if advertising was to be successful, it needed to respect long-standing values. Typically, in the food sector, the advertisers insisted on the genuineness of a product by underlining the fact that it did not brake with the harmony of tradition and the family – a theme that is still common today.

4 Advertising had to fight a long and very difficult battle against conservative mentalities – and sometimes, even today, it may be asked whether that battle has really been won. Since the beginning of the Twentieth Century, advertising has never had it easy. The terminology used to define advertising - and the discussion that raged around the topic among writers and philologists - shows a sort of national idiosyncrasy. The word ‘réclame’, though universally accepted in the late Nineteenth Century, was considered a Gallicism, and as such ‘barbaric’. Only in 1902 was the word ‘publicity’ proposed for the first time as a good substitute. The echoes of discussions in the US about the subject, and maybe also the decline of the French influence on the Italian economy and culture (which began in the 1890s), go some way to explaining the evolution of opinions in Italy.

5 In the late Nineteenth Century, advertising was not considered a means of communication for ‘serious’ and well-known firms. But this also meant that the market was so rigid – and small – that producers did not feel threatened by their competitors. It must not be forgotten that those who wanted to use advertising knew very well that their target audience was limited because of the very low purchasing power of the Italian population. In a country where in 1901 more than one third of the population was still illiterate, and where most of the peasants’ earnings were used to buy cereals and food, to advertise a product was a decision not to be taken lightly. Italian trade policy, based on high barriers, continued to protect non-competitive firms, though from the 1890s, foreign companies – first of all from Germany – began to penetrate the Peninsula. Their methods were new, aggressive, and largely based on advertising campaigns. A few Italian firms reacted positively, and among them were the beverage firms Campari and Fernet, and the heating producer Borsalino, all pioneers already in the use of wall advertising.

6 This method was relatively old and quite well diffused. If in France the first colour poster advertising appeared in 1846, in Italy the first lithographic outfit specialising in this kind
of product appeared in 1872. Nine years later, the owner of the pioneer firm founded a company called Impresa Generale Affissioni e Pubblicità (General Firm for Poster Advertising), which provided its customer not only with a product (the poster) but also a whole service. A year before, the first horse-drawn urban tramway in Turin had begun operating. And with this new means of transport, poster advertising quickly spread during the following years to the entire country. A Frenchman, Ferdinand du Chêne de Vère, was the first entrepreneur to exploit the new segment of the market. Soon his firm, the Du Chêne & Co. (founded in Brescia in 1886 but based in Milan from 1888), obtained the exclusive rights to service the tramways companies of not only Turin and Milan, but also Florence, Naples, Bologna and Leghorn.8

At about the same time, another Milan entrepreneur, Attilio Manzoni, launched newspaper advertising in Italy, a service that already existed in many other European countries. He had founded a firm in 1863 to trade medicines and Chemical products, but in 1870 diversified by creating an operation which worked like the French Société Générale des Annonces, in other words which bought pages of newspapers or magazines and sold the space for advertising. Within a few years, the Manzoni firm had the rights for the Corriere della Sera, at that time the most important newspaper only in Milan, and for several other newspaper in Lombardy, as well as some magazines. Manzoni then opened a ‘Bureau Central d’annonces sur les journaux d’Italie et de l’Orient’ in Paris during 1876, and followed this by creating other branches both abroad (in Berlin, Zurich and Frankfurt) and at home (in Rome (1878), Naples (1884) and Genoa (1885)).9

The Manzoni model was swiftly copied. In 1886, a Swiss company, Haasenstein & Vogler (founded by two Germans who gave their names to the firm before selling it to a Swiss citizen, Charles Georges) entered the Italian market. Soon the company obtained the exclusive rights over advertising in some of the most prestigious Italian newspapers: La Stampa of Turin (1886), Il Mattino of Naples (1891), La Nazione of Florence (1892), and in 1895 also the Corriere della Sera, when the contract with Manzoni expired. Haasenstein & Vogler changed its name during World War One to Unione Pubblicità Italiana, in order to avoid trouble with the Italian authorities and the nationalist movement, both quite suspicious of any firm with a German origin or name.10

industrialisation and advertising

The acceleration of Italian industrialisation and social change around 1900 had significant consequences for ‘publicity’. According to the literature, this period was notable for a shift from ‘advertising practice’ to ‘advertising technique’. The first phase was characterised by qualitative improvement and quantitative growth, which persuaded a growing number of industrial firms to become involved. The next phase, which continued through to the 1960’s, was notable for even better techniques and a much bigger degree of quantitative growth, in terms of both space and ubiquity. Many big Italian firms began to use advertising extensively. The phenomenon took shape first of all in the food and beverage sectors (Arrigoni, Buitoni, Galbani, Liebig, Maggi, Mellin, Perugina, Branca, Buton, Campari, Cinzano, Gancia and many others), quickly followed by the medical and chemical sectors (Manetti & Roberts, Migone, Montecatini). Finally, the key actors of the second industrial revolution (producing cars, motorcycles, tyres, cameras, typewriters and sewing machines) became interested. Brands like Olivetti, Fiat, Alfa Romeo, Fraschini, Lancia, and Pirelli, together with the American Remington, Singer, Kodak Underwood and
Dunlop, and the French Michelin, owed much of their fame in Italy to their first advertising campaigns, and the symbols that they choose and through which their trade marks became famous.\(^7\)

The economic and advertising communities also had some new techniques, which confirmed that something was changing in Italy, even if slowly. In 1902, a journal called *Risorgimento grafico* appeared, covering the artistic aspects of advertising but also various other issues - the different ways of advertising, moral questions, and the technical progress of the Italian specialists. Later, in 1912, another journal, *L’Impresa Moderna* (the Modern Firm), began publication. It was sub-titled ‘Rivista dei sistemi di organizzazione commerciale’ (Journal of the Systems of Commercial Organisation). The bridge between the firm and advertising was built. *L’Impresa Moderna* led discussion in Italy about rules, methods and procedures, and planning in advertising.\(^8\) Some of the main protagonists in these debates came from journalism, with well-known writers like Cassola and Prezzolini publishing books about advertising technique and the art of seducing the customer. Meanwhile, several new advertising firms were launched\(^9\), and some big companies, like the engineering firms Fiat and Ansaldo, the beverage and liquor firm Martini & Rossi, and the department store Rinascente, created their own advertising offices, often directed by journalists. If the first phase of advertising in Italy owed much to French ideas and methods, as the Du Chène and Manzoni cases show, in the new phase, despite the German influence in the Italian economy as a whole, it was American (or Anglo-American) methods that began to dominate.\(^10\)

It must not be forgotten that these new trends involved only a very limited number of companies. On the other hand, the oligopolistic structure of the Italian economy, a characteristic developed by World War One, allowed quite quick diffusion of the new ideas and methods. Almost every industrial sector had its big firm (big also by European standards), which introduced modern managerial methods and organisational capabilities during the inter-war period. But, nevertheless, it is also true that around some isolated Mont Blancs, there were just a few hills and a largely flat plane, where medium, small and micro enterprises – some very competitive – predominated. These kinds of firms had nothing to do with the discussions about advertising.\(^11\)

**the inter-war period: crisis or development?**

The fascist years in Italy have often been considered a period of isolation. This is true, but only up to a point. In fact, the Italian economy reacted like all the other leading economies of the time. A first phase, characterised by good performance, was followed by a second, from the 1929 international crisis onwards, when industrial production decreased slowly and unemployment increased rapidly. Italian trade also followed international trends, with a strong contraction in comparison to the pre-1914 period, though this situation was probably made worse by the sanctions policy of the League of the Nations after the Italian invasion of Abyssinia in 1936.

The industrial structure of the country became even more firmly established. The crisis of the world market caused new forms of competition, whose effects were sometimes perverse. In Italy, as in other countries, firms were free to form cartels or sign other agreements to reduce competition. The cartels created were essentially sale organisations.\(^12\) In many cases, the competition and jealousies among the potential
participants were so strong and deep that it was very difficult even to sign an agreement or respect it. This situation was particularly common in the metallurgical and textile sectors, both deeply affected by the general economic crisis, the former because of the difficulties of the universal banks, the latter because of the collapse of demand, both in Italy and abroad.\textsuperscript{17} State intervention became a necessity and assumed different forms. The eclipse of the universal banks in 1931-32 persuaded the State to become an entrepreneur, giving management unity to several industrial sectors such as Steel, shipbuilding and heavy mechanical engineering.\textsuperscript{18} But such action was not necessarily enough to bring the various factions together, and so the State also turned to the law. Thus, at the beginning of the 1930's, the Italian Parliament passed a measure which forced all firms with stakes in existing agreements to respect them. At the same time, the statutes of cartels were legally recognised. The directors of cartels now had powers to oblige single firms to respect their goals. On the commercial side they could impose a common policy on purchasing, as well as on sales to domestic and foreign markets, so as to promote efficiency in distribution and marketing. However, the Italian government very quickly realised that the powers given to the cartels transformed them into kinds of monopoly, leaving the State without any real instrument to control them or prevent abuses.\textsuperscript{19} In the conditions of the early 1930's, the word cartel gained a very negative connotation. While in the previous decade cartels were thought of as, among other things, useful instruments for modernisation and rationalisation\textsuperscript{20}, in a period of economic crisis the industrialist forming a cartel was considered a 'parasite' and his creature an instrument designed only to dominate consumers.\textsuperscript{21} This was the reason why Decree 31.12.1931 n. 1670, approved by Parliament in 1932 as Law 16.6.1932, n. 834, focused on the “Regulations regarding the establishment and operations of Consortia among firms engaged in the same type of productive activity”\textsuperscript{22}.

\textsuperscript{14} State intervention and cartelisation were not, in themselves, forces opposed to the development of advertising. In fact, the fascist state was one of the most important and dynamic consumers of advertising techniques. In the 1930's, State publicity reached its peak. There were campaigns for the Post and Telegraph service; the Italian Railways; the products of Tobacco Monopolies (the state-controlled firm for the tobacco sector); the Exhibition of the Revolution (organised in Rome on the tenth anniversary of the Fascist take-over); the Opera Nazionale Balilla (the Fascist youth organisation); the “Battle for Grain”; and, during the autarky period, the need to buy Italian products.\textsuperscript{23} Firms that were touched by government activity, such as Montecatini, the Italian Chemical giant, were drawn into endorsing some of the regime’s objectives. For example, in the “Battle for Grain”, the campaign to reduce cereal imports by augmenting domestic production, Montecatini played a crucial role in convincing the peasant organisations to consume more artificial fertilisers. The firm had already opened an advertising office in Milan, and asked the best graphics designers to take part in its proselytising.\textsuperscript{24}

\textsuperscript{15} Firms also benefited from other initiatives of the regime. By controlling the media, the government sought to influence public opinion. The first radio broadcast occurred in 1924, and although radios were not very numerous, the medium’s importance for advertising was clear from the beginning. In 1926 a dedicated firm was set up to manage radio advertising. The Società Italiana Pubblicità Radiofonica Anonima (SIPRA) became a monopoly supplier thanks to a special law, and later that year started functioning. The regime began to use radio specifically for propaganda purposes from the late 1920’s onwards. In 1927, the state-controlled firm Unione Radiofonica Italiana, together with
some private firms, such as the radio producer Allocchio and the publisher Mondadori, set up a special body called Ente Italiano Audizioni Radiofoniche (the Italian society for radio auditions). Not surprisingly, in the first years of radio broadcasting, the firms that tended to use this medium for their advertising were often those with close connections to the field (Radiomarelli, Telefunken, etc.).

But the real change began in 1934. The catalyst was a very successful radio programme – I Quattro Moschettieri (The Fours Musketeers), based on the famous Dumas novel. For this persuaded firms in the food sector (Buitoni and Perugina) to try inserting illustrated cards of the heroes into their products. The prize for completing the collection was entry into a major draw for the goods of other firms that also advertised extensively (Fiat, Guzzi, Necchi, Olivetti and Phonola), including a chance to win the famous ‘Topolino’, the smallest and most popular Fiat car. The success of this initiative convinced many small and medium size firms to form a consortium to create an alternative collection of illustrated cards. But other big firms in the food and beverages sector (Motta, Campari, Cinzano and Branca) denounced all cards as illegal and very dangerous to their market shares, and put pressure on the government to intervene. The Ministry of Finance waited until the award of the first big prize in 1937, and then prohibited these type of games altogether. The official justification given by the government was that the rich prizes on offer undermined the policy of autarky and the restriction of consumption.

The regime was less closed to the foreign influence than is often assumed. Both economic and academic contacts with more advanced countries gave fruitful – although not very diffused – results. A good example is the birth of a new journal, L’Ufficio Moderno (The Modern Office), which encouraged the spread of some aspects of American business and managerial culture. The editor of the journal was also very active in the formation a discussion group called Gruppo Amici della Razionalizzazione (the Friends of Rationalisation Group), better known as G.A.R., which first met in 1931. The topic of rationalisation was widely interpreted, and included a new interest in micro and macroeconomics, entrepreneurial behaviour, the firm, factories, and scientific organisation. And, of course, it also embraced advertising, considering its importance for the development of the American market. This forum prompted many firms to consider creating their own advertising offices, and Fiat, Olivetti, Perugina, Snia Viscosa, and Schiapparelli eventually followed this strategy. Paradoxically, the importance of the G.A.R. increased posthumously. The regime began to be interested in collecting information about its activities and membership, and as a consequence, the group suspended its meetings in 1933. In the same year, the fourth International Congress of Advertising was held in Rome and Milan, which confirmed that Italian advertising was well thought of abroad.

In fact, many new specialised advertising firms appeared during the inter-war period. The evolution of graphic techniques, but also the exigencies of the companies, involved a big change in the sector. The influence of the German Bauhaus and the revolution in industrial design were other factors at work. The conventional wisdom is that the first Italian advertising agency, named ACME, was created in 1922 and then successfully organised campaigns for such firms as Bayer, Branca, Cinzano, Cirio, Galbani, Lanerossi, and Nestlé. But, in fact, ACME was something of a cross between an advertising agency and an art studio. The real pioneer here was, perhaps predictably, the branch of an American organisation. In 1925, Erwin Wasey, one of the most famous US advertising agencies, set up an operation in Milan. Directed by an Italian manager (Nino Caimi), but
depending for suggestions and strategies on the London branch of the mother company, this firm worked mainly for foreign companies, particularly the Americans (among its customers were Ford, Camel, Mobil Oil and Palmolive). However, the Italian adventure of Erwin Wasey was short-lived. The 1929 international crisis precipitated the closure of the Italian branch. But a kind of fertilisation of other advertising companies followed: the later leading duo, ERVA and I.M.A., were both created by former employees of the American firm.20

reconstruction or americanisation?

19 Post-war reconstruction in Italy was as rapid as in any other Western European country. However, the adoption of the American methods of production was less easy and certainly less rapid. The transfer of US technology was a key part of the Marshall Plan, although its adoption varied very much from sector to sector. In any case, one can always consider this period as a first phase of the accumulation of technologies, informations, infrastructures and those other elements which are normally suggested by the word ‘modernisation’. In reality, this latter process was irregular, following very different routes, at very different speeds. The 15-20 years after the end of the war are considered an era of extraordinary economic growth in Italy, as well in the Western world. The expression ‘the Italian economic miracle’ is very indicative, especially if it is remembered that the word ‘miracle’ is popularly used to underline the exceptionality of an event or process.

20 The US productivity drive initially met with varied reactions in Italy. US suggestions were by no means simply just welcomed. Many industrialists were sceptical. Only a few accepted the US proposals enthusiastically. However, after reconsidering the economic and industrial structure of the country, the US mission in Rome eventually changed its approach. Thus, after at first copying the methods applied in other Western European countries – where big firms were more numerous – after 1951-52, the US authorities focused on small and medium size firms and the areas where they predominated.31 However, these developments meant relatively little for advertising. Americanisation was something more than, and different to, the productivity drive, as Stephen Gundle explains in his studies of the Americanisation of Italian every-day life.32 As soon as incomes increased, mass consumption did too. The process was slow and took almost the entire 1950’s, but could not be stopped. Urbanisation, which implied the refusal of the peasant world, intensified the trend. The boom of the automobile industry is the best example. Although the cost of the cheapest Fiat car was more than one year’s wages of a Fiat employee, and more than six times the monthly salary of a white collar worker, between 1950 and 1964 the total number of cars in Italy grew from 342,000 to 4,670,000.33 To consume became synonymous with America. The advertising campaigns of many firms focused on American symbols or used American words.34 And with this new wave came new products, like electric razors, nylon socks, and special soaps, together with the fridge and the washing machine. In 1958 only 12 per cent of Italian families owned a TV, while the figure in 1965 was 49 per cent; over the same period, the percentage of families owing a fridge grew from 13 per cent to 55 per cent and those with a washing machine from 3 to 23 per cent.35

21 This evolution of the economy and of consumption gave new impetus to advertising. In June 1945, some member of the advertising community in Milan called an assembly and
only a year later the Unione Italiana Pubblicità was born. It was formed by a merger between the Associazione Agenzie e Assuntori di Pubblicità and the Associazione Tecnici e Artisti Pubblicitari, and in 1947 changed its name into the Federazione Italiana della Pubblicità (the Italian Federation of the Advertising). When the US productivity drive officially arrived in Italy, the Italian population seemed ready for the message being promoted. In the words of the President of the Federazione in 1958, advertising was "a preliminary condition for a general increase of the standard of life and a constantly active factor in social and technological progress". Terminology and managerial techniques and skills that in the inter-war period seemed 'too American'—in a sense, exotic or like an alien, in comparison with the culture of the country—now acquired a fresh impetus. 'Management', 'marketing', 'market research', 'polls' and 'public relations' became not only words in common use but also concrete skills and methods of doing business. Advertising firms found new opportunities. Big US and UK operators opened branches in Italy: Lever International Advertising Service in 1948, Thomson (which worked also for the Marshall Plan), the English firm C. P. V. in 1951, and later, at the end of the decade, McCann Erikson and Young & Rubicam. Their arrival also meant the death of several old Italian ‘artisanal’ advertising firms, which were not familiar with marketing-oriented services, psychological research, art-directors, copywriters and account executives. Other decisive contributions to the complete technical evolution of the advertising system in Italy were provided by those Italian big firms that already had advertising departments, as well as a number of highly specialised Italian technicians (Pestelli, Zveteremich, Weiss, Sinisgalli and Castellani, etc.).

Throughout this period, the Government had an ambivalent attitude towards advertising. It used it during reconstruction and to popularise its achievements. Indeed, during the 1950’s, the Italian State Institute for Foreign Trade became one of the most active players in promoting Italian products abroad, regularly and extensively deploying State of the art advertising methods. On the other hand, the catholic culture which inspired the government did not consider advertising a normal instrument of the firm, a routine way to gain a portion of the market. The costs of advertising were not taken into consideration when firms had to pay taxes: the law did not permit their deduction, as was possible with other costs. Even in 1964, when Italy was experiencing its economic miracle and the concrete effects of advertising were there for all to see, the main document of the government on the economic development of the country (called the Five Year Economic Programme for the period 1965-69) declared that it was necessary to limit “excessive expansion” of advertising costs by giving the consumer “the possibility to make his choice basing it on objective elements”. One year later, when presenting the law for the next Five Year Economic Programme, the government announced that its intention was to “limit the excessive expansion of the costs for advertising and especially of those forms of advertising which have the effect to mislead the choices of the consumer from the criteria of the economic convenience, thus reducing in practice his freedom”. An apparent ultra-liberalism hid intense prejudices against consumption as a whole, based on values that were disappearing, in a country where the role of the Church, the rural areas and their culture was dramatically diminishing. But the force of those values was not completely eliminated, a situation that was also true of other forms of resistance against the growth of the mass consumption and the diffusion of new consumer’s myths. Between 1950 and 1964, advertising investment grew, in real terms, twice as fast as national income. Nevertheless, in 1960 Italy still remained last among OECD countries in terms of advertising expenditure and the ratio between this factor and...
the most important economic indicators (national income, per capita national income, private consumption), as Tables 1 and 2 (below) show. Advertising had come a long way, but there was still far to go.

TABLE 1. ADVERTISING INVESTMENTS, NATIONAL INCOME, PRIVATE CONSUMPTION (1950-1973) (CURRENT BILLION ITALIAN LIRA)

<table>
<thead>
<tr>
<th>Year</th>
<th>Advertising Investments (A)</th>
<th>National Income (B)</th>
<th>Private Consumption (C)</th>
<th>Ratio A/B</th>
<th>Ratio A/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>25</td>
<td>9.305</td>
<td>6.581</td>
<td>0.27</td>
<td>0.38</td>
</tr>
<tr>
<td>1953</td>
<td>40</td>
<td>12.826</td>
<td>9.055</td>
<td>0.31</td>
<td>0.44</td>
</tr>
<tr>
<td>1954</td>
<td>45</td>
<td>13.656</td>
<td>9.414</td>
<td>0.33</td>
<td>0.48</td>
</tr>
<tr>
<td>1955</td>
<td>50</td>
<td>15.050</td>
<td>10.102</td>
<td>0.33</td>
<td>0.50</td>
</tr>
<tr>
<td>1956</td>
<td>66</td>
<td>16.394</td>
<td>11.080</td>
<td>0.40</td>
<td>0.60</td>
</tr>
<tr>
<td>1957</td>
<td>69</td>
<td>17.622</td>
<td>11.726</td>
<td>0.39</td>
<td>0.59</td>
</tr>
<tr>
<td>1958</td>
<td>70</td>
<td>18.923</td>
<td>12.461</td>
<td>0.37</td>
<td>0.56</td>
</tr>
<tr>
<td>1959</td>
<td>80</td>
<td>20.113</td>
<td>12.994</td>
<td>0.40</td>
<td>0.62</td>
</tr>
<tr>
<td>1960</td>
<td>90</td>
<td>21.828</td>
<td>13.980</td>
<td>0.41</td>
<td>0.64</td>
</tr>
<tr>
<td>1961</td>
<td>105</td>
<td>24.289</td>
<td>15.286</td>
<td>0.43</td>
<td>0.69</td>
</tr>
<tr>
<td>1962</td>
<td>120</td>
<td>27.303</td>
<td>17.197</td>
<td>0.43</td>
<td>0.70</td>
</tr>
<tr>
<td>1963</td>
<td>157</td>
<td>31.261</td>
<td>20.090</td>
<td>0.50</td>
<td>0.78</td>
</tr>
<tr>
<td>1964</td>
<td>169</td>
<td>34.179</td>
<td>21.757</td>
<td>0.49</td>
<td>0.78</td>
</tr>
<tr>
<td>1965</td>
<td>169</td>
<td>36.818</td>
<td>23.263</td>
<td>0.46</td>
<td>0.72</td>
</tr>
<tr>
<td>1966</td>
<td>200</td>
<td>39.829</td>
<td>25.561</td>
<td>0.50</td>
<td>0.78</td>
</tr>
<tr>
<td>1967</td>
<td>228</td>
<td>43.804</td>
<td>28.214</td>
<td>0.52</td>
<td>0.80</td>
</tr>
<tr>
<td>1968</td>
<td>244</td>
<td>47.280</td>
<td>30.066</td>
<td>0.51</td>
<td>0.81</td>
</tr>
<tr>
<td>1969</td>
<td>265</td>
<td>52.091</td>
<td>32.836</td>
<td>0.51</td>
<td>0.81</td>
</tr>
<tr>
<td>1970</td>
<td>284</td>
<td>58.261</td>
<td>37.302</td>
<td>0.49</td>
<td>0.76</td>
</tr>
<tr>
<td>1971</td>
<td>289</td>
<td>63.127</td>
<td>40.224</td>
<td>0.46</td>
<td>0.72</td>
</tr>
<tr>
<td>1972</td>
<td>308</td>
<td>68.880</td>
<td>43.914</td>
<td>0.45</td>
<td>0.70</td>
</tr>
<tr>
<td>1973</td>
<td>330</td>
<td>80.574</td>
<td>51.784</td>
<td>0.41</td>
<td>0.64</td>
</tr>
</tbody>
</table>

TABLE 2. ADVERTISING INVESTMENTS IN SOME MARKET ECONOMIES IN 1960

<table>
<thead>
<tr>
<th>Country</th>
<th>Advertising Investments (in current billion Italian Lira)</th>
<th>Ratio Advertising Investments/National Income</th>
<th>per capita Advertising investments (Lira)</th>
<th>per capita National income (Lira)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>46.6</td>
<td>1.64</td>
<td>6,580</td>
<td>400,446</td>
</tr>
<tr>
<td>Australia</td>
<td>168.2</td>
<td>2.12</td>
<td>16,360</td>
<td>772,863</td>
</tr>
<tr>
<td>Belgium-Luxembourg</td>
<td>68.3</td>
<td>1.17</td>
<td>7,214</td>
<td>615,051</td>
</tr>
<tr>
<td>Canada</td>
<td>383.9</td>
<td>2.20</td>
<td>21,550</td>
<td>981,022</td>
</tr>
<tr>
<td>Denmark</td>
<td>52.8</td>
<td>1.78</td>
<td>11,525</td>
<td>646,147</td>
</tr>
<tr>
<td>Finland</td>
<td>18.6</td>
<td>0.83</td>
<td>4,173</td>
<td>504,083</td>
</tr>
<tr>
<td>France</td>
<td>236.0</td>
<td>0.96</td>
<td>5,182</td>
<td>539,345</td>
</tr>
<tr>
<td>India</td>
<td>21.7</td>
<td>0.13</td>
<td>50</td>
<td>38,932</td>
</tr>
<tr>
<td>Israel</td>
<td>13.3</td>
<td>1.13</td>
<td>6,291</td>
<td>554,493</td>
</tr>
<tr>
<td>Italy</td>
<td>90.0</td>
<td>0.41</td>
<td>1,792</td>
<td>434,838</td>
</tr>
<tr>
<td>Japan</td>
<td>292.1</td>
<td>1.51</td>
<td>3,126</td>
<td>206,743</td>
</tr>
<tr>
<td>Netherlands</td>
<td>77.6</td>
<td>1.22</td>
<td>6,759</td>
<td>552,055</td>
</tr>
<tr>
<td>Norway</td>
<td>40.4</td>
<td>2.00</td>
<td>11,266</td>
<td>564,417</td>
</tr>
<tr>
<td>Portugal</td>
<td>21.7</td>
<td>1.80</td>
<td>2,378</td>
<td>132,054</td>
</tr>
<tr>
<td>Sweden</td>
<td>118.0</td>
<td>1.73</td>
<td>14,775</td>
<td>909,545</td>
</tr>
<tr>
<td>Switzerland</td>
<td>93.1</td>
<td>2.03</td>
<td>17,398</td>
<td>858,456</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>791.8</td>
<td>2.24</td>
<td>15,115</td>
<td>675,665</td>
</tr>
<tr>
<td>USA</td>
<td>7,192.5</td>
<td>2.80</td>
<td>39,810</td>
<td>1,420,940</td>
</tr>
<tr>
<td>West Germany</td>
<td>683.1</td>
<td>2.13</td>
<td>12,798</td>
<td>601,047</td>
</tr>
</tbody>
</table>


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NOTES


13. C. Cassola, La reclame dal punto di vista economico, Turin, Bocca, 1906 ; G. Prezzolini, L’arte di persuadere, Florence, F. Lumachi, 1907. In 1919 another journalist published a book, introducing it as the “ABC of advertising”. He explained: “This book is not a sum of ideas about reklame, but of facts. It teaches how to do it according to the Anglo-American methods, i.e. according to the modern experimental method”. See P. Cavalli, La spada dell’America, Milan, Fratelli Treves Editors, 1919.


20. V. Dagnino, I cartelli industriali nazionali e internazionali, Turin, Bocca, 1928.
21. Rossi 1955: 157-158. Rossi added that in the four volumes semi-official Dizionario di politica, edited by the Fascist National Party, Rome, Istituto dell’Enciclopedia Italiana, Rome, 1940 it was stressed that it was a big mistake to give the same meaning to the words cartel and consortia, because “cartels are the expression of the spirit of the capitalism, they are instruments through whom the entrepreneurs try to get the biggest gains, and they exercise an anti-social action. While the obligatory consortia must inspire their action to public interest or, to be more precise, they must subordinate the interests of the firms who are members of the consortia to the general interest of the national economy” (p. 160).

22. The word consortia – a translation of the Italian word consorzio – was understood to mean a group of companies engaged in the same type of business or economic activity, all of which were bound by a written agreement regulating competition and so on - in reality, exactly the same as a cartel.


37. I. M. LOMBARDO, Prodottività e pubblicità, in *Atti del V Congresso Nazionale della Pubblicità*, Milan, F.I.P., 1958, p. 113-116. Some years before Roberto Tremelloni, a founder of G.R.A. in the 1930’s and one of the most prominent scholar and politician supporting advertising, wrote that the advertising community was a sort of “referee and first assistant of the consumer” (quoted in ARDVISSON 2001 : 656).


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**ABSTRACTS**

En Italie, le processus d’industrialisation et de modernisation commença plus tard que dans la plupart des autres pays d’Europe occidentale. Les préjugés nettement anti-industrialisation qui animent les cultures catholique et communiste, ont longtemps interdit toute affirmation d’une culture industrielle. C’est vraisemblablement la raison pour laquelle l’hostilité à la publicité est davantage enracinée en Italie que partout ailleurs. Les valeurs telles que l’entreprise, le profit, la consommation et bien sûr la publicité ont lutté pour s’imposer. Les entreprises et les professionnels du secteur publicitaire ont rencontré davantage de difficultés pratiques que dans les autres pays occidentaux, et ce jusqu’à la fin des années 1960.

**AUTHOR**

LUCIANO SEGRETO

*University of Florence*
Tradition and modernity: the Americanisation of Aer Lingus advertising, 1950 - 1960

Linda King

introduction

Although advertisements are ephemeral...their effects are long-standing and cumulative: they...combine to form a body of messages about the culture that produced them.\(^1\)

1 Figure 1 - Ireland: Fisherman's Paradise - is representative of many posters Aer Lingus commissioned in the 1950s and provides an effective demonstration of the Americanisation of much Irish tourist imagery of the period.\(^2\) On an aesthetic level the illustrative style employed reflects knowledge of contemporary American design and popular culture, specifically the animated films of United Productions of America which emphasised flat-bright colours and exaggerated comic figures.\(^3\) However on an ideological level, the poster also contains a number of visual signifiers that testify to US involvement in the formulation of a vision of Irish identity aimed at targeting the American tourist market.

2 By focusing on advertisements produced by the Irish national airline - Aer Lingus - this chapter will discuss the effect of Americanisation on Irish tourist imagery in the immediate post-World War Two period. It is an examination of national identity; of how images are formulated to represent a particular culture at a particular time; and the individuals and circumstances involved in such constructions. It will be argued that although Aer Lingus is a product of modernisation, the pictorial symbols that advertisements like Figure 1 contain — fishing, examples of indigenous architecture, mountain scenes - promote the pastoral and 'pre-modern' aspects of Irish society. It will be suggested that during the 1950s, financial pragmatism encouraged successive Irish governments to emphasise these aspects of Irish culture to fulfil the expectations of the
tourist industry, while simultaneously the period also witnessed many attempts to articulate the successes of Irish modernisation post independence. It will be suggested that the desire to balance both these concerns established a practise of promoting the country as simultaneously modern and pre-modern, evidence of which can still be witnessed in examples of contemporary advertising. It will be demonstrated that in the absence of coherent government tourist policies during this time, Ireland - as a destination - was actively promoted by its national airline, relying on a formula of representation known to appeal to American audiences and given visual form by a number of Dutch and British nationals. As the involvement of these protagonists is central to the discussion of how these messages were constructed and disseminated, this chapter shares some common features with Pantzar and Heinonen’s, also in this volume. Similarly, the absence of a comprehensive study of this topic to date has necessitated the use of much empirical analysis, including detailed examination of consumer products such as magazines, advertisements, brochures, and films.

the development of irish tourism post-independence

3 Aer Lingus was founded in 1936, 14 years after the Free State was established. As the one semi-state company with the potential to acquire a truly international profile, its function from the outset was quite clearly more than that of just the national carrier. Ideologically, the aeroplane was seen as a metaphor for Irish independence, while, politically, the establishment of Aer Lingus symbolised “Ireland's ability to break free of its island restrictions and create meaningful links with the world outside”. From the outset, the Irish government was aware of Ireland’s strategic geographical location in relation to the future development of transatlantic traffic and from at least 1935 these “meaningful links” were clearly seen in the context of Ireland’s economic and political benefit from this advantage. By 1944, the Irish government had signed a bilateral agreement with the US that secured both the compulsory stopover in the Free State of all transatlantic traffic using Irish airspace and made provision for the eventual establishment the country’s own transatlantic route. It was with these developments in mind that Shannon airport was established, with, from 1947, innovative duty-free shopping facilities.

4 More so than any other politician of the period, Séan Lemass, Fianna Fáil Minister for Industry and Commerce, was a key figure in both the history and development of Aer Lingus and in promoting the fiscal importance of tourism to the national economy. It was under his direction that the Irish Tourist Board (ITB) was established in 1939, and this, like Aer Lingus, came under the auspices of his Department. As Minister for Industry and Commerce for some 21 years between 1932 and 1959, Lemass’s influence in aviation and tourism development dominated that of other politicians, and it would appear that even when he was in political opposition he had the means to exert pressure and influence decision-making. Although the establishment of the ITB provided recognition of the possibility of tourism’s positive impact on the Irish economy, the organisation lacked a clear focus on policy and was in receipt of limited funding throughout the 1940s and 50s. The privately run Irish Tourist Association (ITA), founded in 1925, became responsible for advertising and promotion but it too had little financial support as it was largely supported by private donations. Thus, in the absence of State support and direction, a vacuum was created which resulted in Aer Lingus adopting the role of simultaneously
promoting both its services and the country as a tourist destination. As the 1950s progressed, the responsibilities of the airline and the tourist authorities became increasingly more ambiguous.

**Ireland and the Marshall Plan**

5 Although the Irish Free State’s insistence on neutrality during World War Two had caused much anger in US circles, the country was invited to partake in the European Recovery Programme (Marshall Plan) in July 1947. Considering Ireland’s geographical position to the US it was felt by American sources that it was more problematic to exclude rather than include the country in the funding process. Initially the US considered that the Free State should focus on supplying agricultural goods to Britain and food to Europe. In 1949, as concerns about Ireland’s dollar income were voiced, it was suggested by the Economic Cooperation Administration (ECA) that among the areas that showed developmental potential, the tourist industry was “the largest source of foreign earnings and is the only important source...about which Ireland can do anything”. However, in spite of American predictions of the projected economic benefits, the Irish government was reluctant to engage in tourism planning. This political resistance was a combination of several factors: complacency as British tourism to the Republic was reliably consistent and accounted for the bulk of existing tourist traffic; disbelief that the Republic had much to offer by way of tourist attractions; and most significantly, the realisation that services - particularly standards of accommodation - did not meet US expectations and that this situation was unlikely to change without substantial State investment, which the government was reluctant to give.

6 None of this thinking was particular to the government of the day. As has been well recorded, in the immediate decades post-independence, successive Irish governments were more concerned with the “shape and form of Irish independence, not...the economic policies best suited to a newly independent State”. Consequently, for the three decades after 1922, considerable political focus centred on the creation of infrastructure - including schools and hospitals - while the loans and grants facilitated by the Marshall Plan between 1948-52 were largely spent on land reclamation and rural electrification. Within this context, the development of tourism was clearly not seen as a priority by the Irish government. As if to emphasise this view, on taking office in 1948, and in an effort to curb the spending of the semi-state bodies, the coalition government cancelled Aer Lingus’s transatlantic service on the eve of its inauguration and while also reducing the budget of the ITB.

7 Although frustrated by Irish political attitudes, US pressure to develop tourism remained constant. As part of the Republic’s Marshall Aid plan, a Technical Assistance Programme (TAP) was established in 1950 to provide suggestions for potential tourist development. A group of Irish hoteliers were immediately dispatched to the US as part of a European delegation organised by Organisation for European Economic Co-operation (OEEC) to study American tourism methodology. Although the itinerary covered all aspects of the industry, specific visits were organised to “publicity and promotion centres” and the subsequent reports unanimously agreed that the areas of “marketing and promotion” were an integral component of future Irish tourism strategy. As US pressure to formulate a coherent tourist policy increased the Irish government responded with tokenist gestures. Irish political opinion eventually conceded that reluctance to address
the country’s lack of dollar earnings had resulted in “a serious adverse effect in our relations with the ECA and the OEEC which may result in a reduced allocation of ECA grant”. Consequently, it seemed inevitable that eventually some American suggestions would have to eventually be accommodated.

the christenberry report

Arguably, the blueprint for how ideas of Irish identity could be visualised in order to achieve maximum financial gain were established by a document called The Synthesis of Reports on Tourism, 1950-51. This is more commonly known as the Christenberry Report after the Robert K. Christenberry who led a US delegation of tourism experts to the Republic in July-August 1950 under the auspices of the TAP. Using the observations of this group as a template, the Department of Industry and Commerce subsequently Consolidated six reports including those that had emanated from the Irish hoteliers tour of US earlier in the year. The report, while making observations and recommendations about the industry as a whole, concentrated on the development of Irish tourism specifically for the American market and it is the suggestions of the US team which dominate.

In order to assess the “dollar tourist potential” of the country, Christenberry divided the Republic into seven areas and rated them against their appeal to the potential American consumer. It focused on those counties around the perimeter of the island, dismissing approximately the half of the country that constitutes the Midlands region and Ulster. “Section II: Ireland’s Tourist Areas” analysed each province, identifying the western region of Connaught as having the most appeal for the US market “due to the magnificent wild scenery, the fishing and shooting opportunities”. The report further stated that this market represented for the Republic “one of the most attractive fields for cultivation in the United States because it is compact geographically and has strong national and religious ties with the old country”. The links referred to were those which had emerged as a consequence of generations of emigration from this region to the States, particularly to areas around New York, Boston, Philadelphia, Chicago, San Francisco and Los Angeles. Although for much of the indigenous population this predominantly rural area had become synonymous with poverty and mass emigration, the region held considerable nostalgic appeal for a large number of potential Irish-American tourists for those very reasons. In an effort to stress the potential for development Christenberry observed that in 1949, 21,000 US visitors had arrived in Ireland without the “stimulus of planned advertising, publicity and promotion”. As almost 100,000 Americans had visited Britain in the same year, the report clearly felt that the Republic could be marketed as an extension of these visits. The emphasis that the report put on advertising is understandable within the general context of tourism promotion which is based on the concept of selling a product – the destination - sight unseen to the potential consumer. In 1950s Ireland, the primary mechanism for such promotion was the printed media - particularly posters distributed through travel agencies and tourist boards - supplemented by some short films available through the offices of the ITB. Limited access to television ensured that in general there was little advertising competition from other media.

While making practical recommendations with regard to projected budgets and strategies, the report had a section entitled ‘Factors of Appeal’ which literally defined the
attractions Ireland had to offer to the American tourist. Among those selected were the relative inexpensiveness of the country; the "breathtaking scenery"; the abundance of activities including golf, fishing and shooting, and the friendliness of the people. Comment was also made that the average American would expect Ireland to have "twisting, dirt-surfaced roads", while Irish-Americans were likely to "think of the country in terms of thatched roof houses". Central to the marketing of any tourist destination is the establishment of 'difference': the physical or psychological attractions which provide the potential tourist with a contrast to and escape from daily routine. Christenberry's comments when combined with the selection of the Connaught region as having the most American tourist potential, defined Ireland's 'difference' as the embodiment of pre-modernity. The implication was that a holiday in Ireland for the US consumer was an escape into the past from the modernisation of contemporary life, providing a romanticised ideal of a pastoral society that industrialisation had bypassed. That is not to deny that the Ireland of the 1950s was not a predominantly rural society but equally it was not an exclusively agrarian one either. Paradoxically this image contrasted sharply with the simultaneous expectation of modern and efficient standards within the Irish service industries, about which the report gave considerable discussion.

With hindsight it would appear that far from being a "general outline" as intended, Christenberry became almost a blueprint for the visualisation of Irish culture for the purposes of general tourism development. That is not to suggest that specific tropes, marketed as being representative of Irish identity, necessarily began with this document. Far from constructing new images it - in many ways - formally articulated existing viewpoints which it left unchallenged. An example of an ITA ad from 1939 with the headline 'Old Erin still survives in modern Ireland' - with its strap line "The ancient values remain unchanged in Ireland: yet Catering and Transport, judged by modern standards, maintain a high level of comfort and efficiency" - testifies to the fact that these ideas had already been acknowledged for marketing purposes. The pattern of representation that the report encouraged can still be observed in some of Ireland's current tourist advertising, particularly that aimed at the US market. Fortunately for the various tourism organisations, what appealed to the potential US tourist/consumer would also conveniently mirror the expectations of their European counterpart.

In May 1951, a Fianna Fáil government was returned to power and Séan Lemass was returned to his position of Minister for Industry and Commerce. Tentative efforts were made to implement some of Christenberry's ideas as Irish politicians cautiously accepted that State intervention was crucial to the development of a cohesive tourism strategy. With the ending of Marshall Aid looming, Lemass warned that tourism "ranked second only to agriculture as the nation's most important industry...the tourist trade was big business now and our welfare depended on it, but it could be made much bigger business". But as one of the few politicians totally convinced of the necessity of tourism planning within the wider context of economic development, it was not until the end of the decade that widespread policy changes became feasible. However, it could be argued that his continued agitation - even when in opposition - helped to foster a climate that made subsequent changes possible.
In 1950 Aer Lingus began to consider a more ambitious approach to self-promotion. Sun Advertising, which managed the airline’s account for much of the following decade, began recruiting graphic designers from the publicity department of KLM, the Dutch national airline, conscious of the fact that there was little indigenous experience available with regard to handling large, specialised, corporate accounts. Aer Lingus had been using several British advertising agencies prior to this and continued to employ some British expertise throughout the decade. KLM had long-standing links with the company, but perhaps more importantly, was also a pioneer of corporate identity systems, and, unlike other airlines, consistently produced cohesive advertising campaigns. It is not clear if the decision by Aer Lingus to import Dutch expertise was politically motivated, but it did demonstrate an awareness of the future importance of brand identity in the context of future economic growth that reflected Lemass’s thinking. As the decade unfolded, Dutch influence spilled over into other key, tourism-related companies including John Hinde postcards; Bord Fáilte, the state-run tourist authority which replaced the ITB in 1952; and CIE, the State-owned public transport company. Therefore, as a result of a pragmatic decision that Sun had taken in 1950, many of the protagonists responsible for the construction of images representing a ‘distinctive’ Irish national identity were Dutch or British nationals. Conveniently, their strategies for presenting these ideas neatly coincided with sections of what Christenberry had articulated.

Analysis of Aer Lingus advertisements from *Time* magazine in the 1950s provide tangible examples of how Christenberry’s suggestions came to be visually interpreted by the airline. While a selection from the beginning of the decade concentrate on listing the routes available to the traveller, from 1953 there is a marked change in emphasis as - in line with the report’s recommendations - ads begin to stress the friendliness of the Irish people and affordability of the country as a destination. Two full-page ads from 1957 however, demonstrate Christenberry’s suggestions more extensively. These were a joint venture between the Bord Fáilte and Aer Lingus and while highlighting the ambiguity between the roles of these two State bodies, they also hint at an emerging tension between different methods of representing ideas of ‘Ireland’ and ‘Irishness’. Holiday in *Friendly Ireland* for instance describes “friendly folk” surrounded by castles, “walled towns that the ancient Irish kings knew”, beautiful mountains and lakes and activities including fishing and hunting. The Ireland mythologised here is a country where modernisation is non-existent; a central photograph of a small town nestled at the foot of a mountain reinforces this message. The ad implies further American cultural influence in that it almost directly replicates a scene from *The Quiet Man* where the Irish-American John Wayne ‘returns’ to his ancestors’ village in Connaught and sees it nestled against the Galway Mountains for the first time. The ad’s claim that Irish people welcome the visitor with the greeting “top o’ the morning” is another Irish-American construct as the phrase is non-existent outside the highly romanticised versions of the country disseminated by such films. The second ad, *Holiday in Dublin’s Fair City*, reiterates a similar message. Although Christenberry had conceded that Dublin was one of the few attractions for the US tourist in the entire Leinster region, the text of the advertisement uses deliberately archaic language to project an image of a city devoid of the busyness of other urban centres. Dubliners “browse...booksellers, antique shops and auction rooms” while city is
full of “taverns” where the locals discuss literature and heritage. In keeping with the report’s recommendations, the city is also promoted as a “the gateway to Ireland”, providing access to mountains, lakes and sporting activities. The listing of indigenous culinary dishes is clearly a direct response to the Report’s claim that “Americans are disappointed not to find Irish dishes and native foods on the menus”.  

In both these ads the central photographs and text clearly imply a pre-modern ideal, yet both also provide evidence of modernisation, represented by the images of Aer Lingus planes at Dublin airport which they also contain. While it is not unusual that advertising strategies employ symbols of tradition to explain or promote ideas of modernity – relating the unfamiliar to the familiar – when used in this context it results in some confusion about the intended interpretation of these advertisements. The juxtapositioning of these images in the same advert - one implying the superiority of traditional life, beside another celebrating technological progress - seem to imply a contradiction encouraging the interpretation of a dichotomous national image.

This particular publicity campaign differs from earlier examples in *Time* in that its focus shifts from promoting Aer Lingus’s services to promoting the airline within the wider context of selling Ireland as a tourist destination. This strategy is unusual among European national carriers of the period which, apart from focusing on in-flight service and the technological capabilities of aircraft, usually promote the destinations they fly to as opposed to the country they represent. In addition, they do not appear to collaborate with their national tourist boards in joint promotional campaigns and thus maintain distinct and separate identities. Yet considering the economic climate of the Ireland in the 1950s, when few of the indigenous population could afford the luxury of airline travel, it is not surprising that Aer Lingus adopted this strategy. Clearly there was more financial gain for the company in attracting tourists to Ireland on its services as opposed to relying on indigenous travellers to use the airline to fly to destinations outside the island. It is also notable that by 1957, preparations to reinstate the Aer Lingus transatlantic route were underway, further opening the possibilities of increased tourism from the US. Therefore, it could be argued that, in an effort to create a market for its product, the airline’s advertising campaigns helped to re-affirm the inherent contradictions of Irish tourist promotion, representing a dichotomous view of Irish society in order to attract fiscal rewards.

As the 1950s progressed and ambiguity over the airline’s function emerged, the roles of Aer Lingus and Bord Fáilte became increasingly less distinct. This confusion was assisted by the frequent utilisation of the same images to alternately publicise both companies (Figure 2). Although Bord Fáilte funding increased somewhat throughout the decade, the airline was still largely responsible for the marketing of the Republic as a destination, and often seemed to struggle to consolidate this role with that of publicising its own services. It is apparent that although clearly seen as necessary, addressing the suggestions made by Christenberry were not the sole concern of the airline during this time. From 1954 to 1956, for example, the majority of Aer Lingus ads in *Time* put emphasis on the technological capabilities of the aircraft, stressing speed and comfort. Such imagery implies excitement and pride in technological progress and falls within the wider conventions of airline advertising of the period including campaigns for various US airlines and national European carriers including Air France and Swissair.

These Aer Lingus advertisements echo the sentiments of some of the company’s earliest publicity examples that focused on the importance of technological acquisition in the
context of nation building in the immediate post-independence years. For example, a 1936 press ad “Éire Joins the Nations in the Air” combines images of a plane circling the globe and the first Aer Lingus aircraft taking flight. The text articulates this moment of national pride claiming: “We are proud...born of our association with the progress of our country...Her scattered sons look homewards, proudly conscious of the Motherland's achievements in many spheres — not least her position in international air transportation. Now are the ‘Wild Geese’ linked more closely in spirit, but in fact”. The ad, by its references to “scattered sons” and “Wild Geese”, ties the identity of the company to the wider history of Irish emigration, proposing the airline as the country’s link with its diaspora and its emigrant past. Like the ads from the 1950s, the past and the present are simultaneously represented; the central message is of national pride in the use of technology to modernise the fledgling State.

As Christenberry’s suggestions were assimilated, it was clear that the versions of Irish identity which the Irish tourist authorities and the national airline aspired to promote, while having some common features, were beginning to conflict. As the airline’s dual function became more entrenched, a tension seemed to emerge between what Aer Lingus knew would sell the country as a destination for the – predominantly - US traveller, and what the airline wanted to promote in relation to its technological ability in the context of the country’s modernising achievements. Despite modest developments in the area of tourism, its contribution to the Republic’s revenue was moderate in the immediate years. Yet, as the country continued to suffer the effects of mass emigration and high unemployment, and the mood of despondency was “palpable”, the tone of the company’s ads remain remarkably optimistic considering the reality of the social and economic climate of the period.

The year 1958 is frequently celebrated as a watershed in Irish history because it marked the publishing of T.K. Whitaker’s “Programme for Economic Expansion”, a document which paved the way for the Republic’s subsequent economic development, by shifting the economic focus from protectionist policies to the encouragement of foreign investment. Significantly it also marked the establishment of Aer Lingus’s transatlantic service, which was another factor in exposing the country to external influences. As the route was being negotiated, Lemass reiterated that expansion of the airline was necessary within the context of national growth, stating:

I know that there still persists in the minds of many people in this country the idea the air transport is still something of a novelty or a luxury. I want to make it clear that the Government regard it as nothing of the sort...no intelligent plan of national development can fail to make provision for the growth of air transport.

The subsequent success of the transatlantic route was reflected in the company’s returns over the next few years which showed a greater increase in passenger numbers than had been previously predicted. The publicity material distributed in the US during the 1958-60 period continued to market the Republic as a country to be visited within the wider context of holidaying in Europe, echoing Christenberry’s recommendations which had stated that: “the average American tourist travelling transatlantic cannot be induced to spend more that a few days in Ireland. The American tourist is cost conscious and determined to see more than one country in Europe”. Yet, unlike the ads in Time of the previous year, Ireland as a destination is not the sole focus of these brochures. Colour photographs of recognisable landmarks are used to represent individual countries - Big Ben for England and St. Peter’s Church for Italy - while Ireland, by comparison, is represented by images of Aer Lingus aircraft, examples of aviation technology, attentive
cabin crew, and, in one example, 'a typical Irish thatched cottage' almost identical to Wayne's family home in the *Quiet Man*. As with previous Aer Lingus ads, combining these narratives results in mixed and confusing signals for the viewer/consumer. Advertising the airline, its services, technological prowess and the tourist fantasy of 'traditional' Irish country life, produces mixed metaphors which imply that Irish society is simultaneously modern and pre-modern. Also notable in these examples is the marketing of the company as Irish Air Lines, a decision that arose as a result of company fears that Aer Lingus – derived from Gaelic - would prove problematic for US audiences. By comparison to these images of Ireland produced for external consumption, the posters that Aer Lingus produced for local distribution frequently focus exclusively on images of the aircraft, implying pride in the country's modernisation and technological advancement. Figure 3, for example, was composed to accommodate additional over-printing, thus enabling indigenous industries to ally themselves to the company and, by extension, the country's modernisation efforts to date. The incorporation of the image of the modernist Dublin Airport terminal expands this idea and can be frequently found in the airline's publicity material of the period. By adopting these strategies, Aer Lingus was again working within the convention of airline advertising of the period which frequently equated technological progress with national achievement. Air France, for example, ran the campaign “Technically tops...Air France flies in the forefront of progress” through 1956 while Swissair similarly focused on images of cockpits and radar antenna for its 1957 ad series “Rest assured...when you fly Swissair”.

**Conclusion**

Further discussion of the impact of US influence on the development of Aer Lingus and marketing of Ireland as a tourist destination is beyond the capabilities of a chapter this length. By focusing on analysing the influence of Christenberry, this paper has highlighted a specific example Americanisation: the marketing of one country - Ireland - in order to satisfy the expectations of another - the US. It has been argued here that although the social and political climate of the Republic in the 1950s was inherently conservative, there is no reason to assume that this conservatism inevitably led to the formulation of a national image that implied a country almost devoid of modernisation. There are many Aer Lingus advertisements, posters and brochures - a fraction of which are discussed here – to suggest that there was an internal desire to project images of the country which acknowledged and celebrated the attempts at modernisation in the immediate decades post-independence.

In spite of the modernity of its illustrative style, Figure 1 works within the constraints of Christenberry’s suggestions, containing many of the features highlighted as satisfying the expectations of the American tourist. The means by which the country/commodity is identified is considerably more subtle than many other tourist images of the period as, without the qualifying type and references to indigenous architecture, it would be difficult to accurately identify the destination as Ireland. None the less, it still adheres to a clear formula of representation that Christenberry re-affirmed as being necessary in the context of tourism development. As has been discussed, what the individual tourist singles out as being worthy of their attention, is entirely dependent on how the sight/object contrasts with the individual’s everyday environment. These ‘gazes’ are constructed, assembled and reinforced by individuals who have a vested, economic
interest in their promotion." This poster was designed by a Dutch designer, working within the recommendations of a report dominated by American opinion. Although Ireland’s tourist images were frequently formulated and manipulated by non-nationals, they were actively promoted by its national airline, operating as a de facto tourist board in a void created by a lack of State policy and funding. And as has been observed: “cultural and national identities [are] constructed from the representations which certain people both inside and outside our culture produce for us. The way in which we see ourselves is substantially determined by the way in which we are seen by others”.

BIBLIOGRAPHY


APPENDIXES

Fig. 1 - Ireland: Fisherman's paradise
Fig. 2 - Ireland: Fly Aer Lingus

Fig. 3 - Come Fly with Jacob's on the FIRST AER LINGUS FLIGHT from CORK AIRPORT

TEN FREE SEATS
TO BE WON ON THIS HISTORIC FLIGHT TO DUBLIN ON OCTOBER 16
FREE COMPETITION FORMS AVAILABLE HERE

THE PEOPLE WHO MAKE BETTER BISCUITS BETTER EVERY DAY
NOTES

2. I would like to thank Terry Gourvish, Matthias Kipping and Nick Tiratsoo for their comments on an earlier draft of this paper.
3. See also L. KING "Advertising Ireland: Irish graphic design in the 1950s under the patronage of Aer Lingus" CIRCA, 92, 2000, p. 16-19.
4. The term 'Ireland' is used here to refer to the 26 counties of the Republic and excludes reference to the six counties of Northern Ireland.
5. The Irish Free State became the Irish Republic in 1949, hence the use of both terms in this paper.
6. Séan Lemass, cited in J. HORGAN, Séan Lemass: the Enigmatic Patriot, Dublin, Gill and Macmillan, 1997, p. 88. Lemass held this Ministry in 1932-1948, 1951-1954, and 1957-1959; and was Taoiseach (Prime Minister) from 1959-1966. He stated many times that the establishment of Aer Lingus was his proudest achievement.
7. The concept was introduced by Brendan O'Regan, Head of the Sales and Catering at Shannon Airport.
8. For example, John Leydon, Secretary of the Department of Industry and Commerce, held key positions on the boards of Aer Lingus and Airlinte - the company that managed the transatlantic route - for extended periods throughout the 1940s and 1950s. Sun Advertising, which managed the Aer Lingus account through the 1950s, was run by Tim O'Neill who had political connections to Fianna Fáil.
12. There were coalition governments in 1948-1951 and 1954-57.
17. CHRISTENBERRY 1951: 7.
18. The first public television demonstration took place in the Republic in 1951 but RTE, the national station, was not established until 31 December 1961.
19. CHRISTENBERRY 1951:26
24. Interviews given to the author by those responsible for the company’s adverts have confirmed this to be the case.

25. The Atlantic/Overseas issue of *Time* has been used as a barometer. During the 1940s and 1950s the magazine contained a particularly significant number of ads for airlines, aviation technology and various other companies anxious to associate their products with the glamour of air travel.

26. The 1952 Tourist Act established Bord Fáilte, a new tourist authority which is confusingly referred to in this ad as the Irish Tourist Board, the name of the defunct organisation. Fógra Fáilte was simultaneously established to deal with publicity but was dissolved in 1955 and its powers were transferred to Bord Fáilte. The Irish Tourist Association continued until 1964 and focused on publicising tourism within Ireland.

27. Irish-American John Ford directed *The Quiet Man* in 1952. Its version of Irish rural life was/is frequently recycled for Irish tourist imagery and can also be found in TWA posters of the same period.


29. For example: the Irish Electricity Board – the ESB - used images of horses to sell the concept of ‘horsepower’ in advertisements from the 1920s. See H. Campbell “Irish Identity and the Architecture of the New State”, in A. Becker (ed.), *Ireland – Twentieth Century Architecture*, Munich/New York, Prestel Verlag, 1997, p. 84. I am grateful to Matthew Hilton for some helpful comments on this point.

30. Atlantic/Overseas *Time* is again used as a barometer.

31. Éire is the term used to describe the 26 counties of the Free State and the Irish Republic. Aer Lingus originally operated under the name Irish Sea Airways.


36. Share 1986: 14. In the 1960s, Airlinte - Aer Lingus’s transatlantic company - changed its name to Irish International Airlines – Aer Lingus, which was subsequently abbreviated to Irish International and later to Irish. By 1970, when the Boeing 747s were introduced, the name was changed to read Irish - Aer Lingus.


38. These also appeared in Atlantic/Overseas *Time*.


ABSTRACTS


AUTHOR

LINDA KING

Dún Laoghaire Institute of Art, Design and Technology, Dublin
The Americanisation of Swedish and Norwegian management

Haldor Byrkjeflot

INTRODUCTION

All the Scandinavian countries have become more Americanized after the Second World War, after having been more attuned to the German model of management and corporate governance. Sweden has been the major model for Norway, at least until the 1980s, so Sweden served as a filter for the import of both German and American models. There was a decline in the eagerness among Norwegians to follow the Swedish example from the 1980s, however, when the wealth increase following in the wake of oil exploration was starting to be felt. From then on the American influence on consumption and cultural and academic styles may have been at least as strong and direct in Norway as in Sweden.1

In this chapter I will discuss two examples of Americanisation in Scandinavian management. The first example is the social responsibility ideology, a model that was imported to Sweden, but not to Norway in the early post-war era. Ironically, this was exactly the stakeholder model of business management that has later been held up as a European alternative to what is now considered the American model of corporate governance: shareholder value. The other example is Kenningism. This was a management movement mainly oriented towards establishing efficient management structures within business firms and organizations. Kenningism had a substantial influence in Norway, but failed in Sweden. I will then use these examples as a background for a comparison between the strategies and the ideologies of the industrial bourgeoisie in Norway and Sweden.

THE IMPACT OF AMERICAN MANAGEMENT MODELS

When speaking about American models of management I refer to specific techniques, concepts and ideologies developed in an American context that were picked up and used
by actors in Norway and Sweden. Maier has summarized the development of management models in the United States: "Taylorite managers had to govern the shop floor; managers of the 1930s had to win their employees' hearts and minds, and the idealized businessman of the post-war period had to help shape national economic and social priorities". The three ideologies in this description are Taylorism, human relations and the stakeholder model of management. All these ideologies depend on particular managerial techniques. For instance, Taylorism relied on time and motion studies, whereas the human relations model was linked more to techniques of personnel selection and teamwork. The purpose of the stakeholder model was to establish legitimacy for business in society. It relied on public relations techniques, as well as schemes for opinion molding and political campaigns. I will now discuss the background and impact of these two specific models, both imported from the US and translated into Scandinavia.

THE STAKEHOLDER MODEL OF CORPORATE GOVERNANCE

The stakeholder model of corporate governance was pioneered by the American business organization Committee for Economic Development (CED) as part of a post-war strategy for business in the USA. The CED represented an American analogue of the industrial peak associations that had long been a feature of European business organization. But it defined its task in a more upbeat and less defensive way: "it presupposed... that business... in good American fashion... was the general interest". Management should operate as a trustee in recognition of the claims of employees, investors, consumers and government. Although developed in a rather unique American cultural context, such business ideologies were developed into an export product along with the American aid programmes in Europe. The Ford Foundation, in particular, encouraged European countries to set up employer organizations analogous to CED. This model, which also has been referred to as “the social responsibility ideology” of business affairs, was imported to Sweden by amongst others the industrial manager Axel Iveroth, who had studied CED during a long visit to the USA.

The Swedish business fund (Næringslivets fond), an agency that acted in defense of business interests, had started to think about new ways of promoting its cause after the social democrats narrowly gained a majority at the elections of 1948. Rather than taking part directly in political clashes over issues of state-directed economic planning and socialization, that had set their mark on society between 1944 and 1948, it now wanted to take an independent role between the extreme positions. It contacted Iveroth and some other younger businessmen, among them Tore Browaldh and the banking director Lars-Erik Thunholm. Browaldh and Thunholm had also visited the USA during the War years. Browaldh had worked for four months as personal assistant to Gunnar Myrdal, the famous Swedish economist and author of *An American Dilemma*. He continued to work with Myrdal when he got back to Sweden and became a member of the committee for post-war economic planning. Browaldh sought to develop a new business creed, which could replace, in his mind, outdated business ideologies. The modern top manager had to take a different view of the role of the firm. Along with Schumpeter, he saw increasing public influence over business life as an “irreversible process”.

Iveroth and Browaldh were younger than the industrial managers that had been central in the business campaign against a planned society, and they acted in accordance with a formula that they had discovered in the USA. They took the initiative to the Center for
Business and Policy Studies (Studieförbundet Näringsliv och Samhälle – SNS) which did investigations in economic matters, as well as publishing, and organising seminars with businessmen, researchers and journalists. There was a need to combine the strategies of opinion molding with a demand for business to take a greater measure of social responsibility. These directors obtained leading positions in Swedish business affairs during the 1950s. Tore Browaldh became CEO of the largest bank in Sweden (Handelsbanken), Lars-Erik Thunholm headed the second largest (Skandinaviska banken), while Axel Iveroth became CEO of the Federation of Swedish Industries. They were recurrent members of the famous Harpsund conferences, which set the parameters for the development of Swedish society in the 1950s. The term ‘Harpsund democracy’ has been used to reflect the strong influence of the heads of Swedish industry in setting the limits on how far the social democrats could go in their aims to transform Swedish society.

In the 1960s SNS continued to present studies that shaped the perception of corporate control in Sweden. The owners were regarded as one stakeholder among others and management was described as an “independent” power. The task of the top manager was to achieve a balance of interests between the different stakeholders. The gradual shift towards a shareholder value model of corporate governance became apparent in the 1980s. A research programme about ownership and company development was initiated, and managers were no longer viewed as impartial guardians of efficiency and fair distributors of power and resources. There was now more emphasis on the responsibilities of the owners for the long-term development of the firm. This change of attitude was associated with a change of government and the defeat of the proposals for wage earner funds in 1991, brought about by a growing neo-liberal movement advocating de-regulations of markets and privatization of public companies.

KENNINGISM

Whereas the SNS model was based on the idea that the top manager was a trustee of other societal interests, the Kenning model of management was mainly oriented towards the effective organization of the internal affairs of the company. It is certainly not a business ideology oriented towards the legitimation of the firm in society of the kind represented by the social responsibility ideology. The most provocative among Kenning’s principles was his insistence that managers had to take responsibility for internal organizational affairs, and that workers should only obey orders. Furthermore, he argued that Scandinavian managers, due to their cultural predispositions, had great problems with developing any understanding of management at all. He saw it as his task to change attitudes, if necessary by provoking and making the managers irritated. The purpose was to have them change their practices and view of each other’s roles. It was for this reason that he put so much emphasis on the necessity to implement and create an understanding of a complete concept or philosophy of management. He would always start his management development programmes with the top managers and work downwards in the organization. Kenning presented a set of techniques and pedagogical principles that, if implemented, would supposedly affect a change in attitudes and create a coherent System for hierarchical authority within any firm or organization.

George Kenning had been invited to Norway by the Norwegian Productivity Institute (NPI) as part of an American-funded programme for ‘industrial training’ in 1955. He was
used by some of the largest industrial corporations for around 30 years. He developed personal attachments to important industrialists and managers. Before Kenning became a consultant and the central node in such an influential network, he was employed for more than 20 years at General Motors (GM), where he worked his way from worker and union organiser to management. He spent the period between 1950 and 1954 as a personnel manager at the GM factory in Antwerp that had to be entirely rebuilt after Second World War.\textsuperscript{10}

There developed an aura of exclusivity and charismatic authority around his practice in Norway that might be explained by personal characteristics, but also his American background and the timing of his ideas. General Motors was the largest and most respected firm in the world by 1955 with 600,000 employees. There may also have been a peculiar fit between his ideas and the predominant predispositions in Norwegian culture, for example the prevailing anti-intellectualism in Norwegian social democracy and the shipping milieu. There may also be a generational aspect attached to the use of his ideas, since it was basically a ‘new’ elite of prospective professional managers that ended up as missionaries for Kenningism in Norway.\textsuperscript{11}

Kenning did not write anything unless it was strictly demanded of him. Others had to present his ideas and cases.\textsuperscript{11} Even the Praxes, his famous 31 theses of management, were not entirely of his own making. In the first place he had 35 theses, but ended up with 31 as a consequence of a process involving top managers at the Swedish mining firm LKAB in the autumn of 1966 and the spring of 1967.\textsuperscript{12} The Praxes were guidelines for managers demonstrating how to be an expert and a professional in management, as opposed to being an expert in a specific functional field. They were a set of rules about how to understand the management function, how to develop accountability, how to distinguish between line and staff relations, and what it meant to be loyal to the firm. This was a more focused and scaled down version of the original model of management development at General Motors.\textsuperscript{13} Kenning, as well as GM, focused on the need to develop managerial hierarchies and establish a functional division of labour between managers.\textsuperscript{12}

The Praxes were spread to the whole class of managers at LKAB in a large-scale development programme from 1967 to 1969. The implementation was brought to an end by the famous Kiruna strike that started in December of 1969, and lasted 56 days. The Kiruna strike, which was the beginning of a wave of similar strikes, has been seen as the start of a new era in management-labour relations in Scandinavia.\textsuperscript{14} One of the demands from the strike committee was that the firm had to abandon Kenning’s theses of management. The strike thus brought the Kenning principles of management into the public eye, and the debate that followed was not good news for those who wanted his management programme to succeed. It has been maintained that both the employer organizations and the unions wanted to get rid of him.\textsuperscript{15} He gave interviews were he implied that Swedish managers also had a long way to go, but that they were at least a bit more professional than Norwegian managers, who preferred to have much leisure rime and enjoy nature rather than take upon themselves the task of managing anything. He left Sweden after having worked with more than 150 Swedish managers.\textsuperscript{16}

Kenning was not alone in taking a critical attitude towards the State of the art in Norwegian management. Norwegian managers were explicitly criticized in a ‘basic analysis’ by the local Marshall Plan mission in Norway for being amongst the most conservative and backward looking elites in Europe, ridden by a “psychopathic fear of socialism”.\textsuperscript{17} In fact, a large proportion of the industrial elites in Norway did support the
economic-liberal right-wing organization Libertas in the early post-war era. \(^{18}\) Norway also had its debate on the planned society between 1948 and 1952. One would think, then, that there was room for an institution like SNS in Norway, too – an institution that aimed to develop a ‘middle way’ between conservative employers and the labour movement. Instead Norway got the Kenning model of management. It was the democracy at work movement, however, that was most salient in politics and public debate. This movement was based on the idea that the organization of workplace affairs was a key element in the establishment of a democracy, and was strongly supported by labour unions and the social democratic parties. It was argued that such affairs ought to be subject to legal regulation and negotiation between workers and employers. The term ‘democratic capitalism’ has been used to characterize Norwegian society in this epoch, indicating that the business elites were always on trial and had to legitimate their actions by norms of equality.\(^{19}\)

The Kenning model of management challenged many of the norms underpinning Scandinavian social democracy, however, and one also might think that there was a latent conflict with the democracy at work movement. A small, but influential group of professional managers, who regarded themselves as outsiders, made use of their relationship with Kenning and his ideas to bolster a view of themselves as the real heroes in the modernization of Norwegian industry. Kenning gave them confidence in their attempts to act as managers and give direction in organizational affairs.\(^{20}\) Kenning presented a provocative, principled and holistic view of management. He engaged in a close and intense dialogue and discussion with managers in small groups, and sought to persuade them to adopt a complete ‘programme’ for management. His followers insisted that the Praxes were only a “pedagogical tool”, but it is difficult to reconcile this with the strong emphasis on having all managers agree on a rather large set of principles. At LKAB he was introduced as “the relational consultant”, meaning that he saw it as his main objective to change relations and attitudes among managers, rather than make changes in organizational charts. It was his analysis that Scandinavian managers avoided face-to-face contact and confrontation with each other, and that it was a problem for them to open up and reveal their opinions of and feelings towards each other. He always started at the top, first training top managers to become trainers for managers at a lower level.\(^{21}\)

One may only speculate on the reasons for the relative lack of conflicts around Kenningism in Norway, relative to Sweden. There were, with a few exceptions\(^{22}\), no public debates about Kenning’s activities until the publication of a book in the 1987. This generated a response among consultants, journalists and academics.\(^{23}\) Kenning does not seem to have provoked similar kinds of resistance among Norwegian workers and labour representatives as among similar groups in Sweden. One of the reasons for this may have been that he learnt from the Kiruna affair, and deliberately took a less public role in Norway.\(^{24}\) A tacit understanding between employers, researchers and union representatives may also have developed, leading them to downplay the role of Kenning when dealing with workers and the media. Norway is a smaller country, and there may have been stronger ties between labour elites and industrial elites during the resistance against the Nazis during World War Two.

What is of a major interest is how the Kenning programme could be so widely diffused in Norway in the late 1980s, after having met so much resistance in Sweden in the early 1970s, and having been a well-kept ‘secret’ in the late 1970s and early 1980s. Schjander’s book, presenting the 31 management theses, became a bestseller, and nine editions had
be been printed by 1995.\textsuperscript{25} His ideas were used as inspiration for managers and policymakers in the health services, the railways, the banks, the Confederation of Norwegian Business and Industry, and in many large industrial companies. One of the reasons for this success may have been that Schjander and his colleagues presented the principles in a rather decontextualized manner, without putting any emphasis on their genesis at LKAB and the controversy provoked by them during and after the Kiruna conflict. Kenning does mention his experiences with Swedish firms in the First edition of Schjander’s book,\textsuperscript{26} and also in the English edition,\textsuperscript{27} but this part was not included in later editions. Kenning died one year after the book appeared. In hindsight, it is striking how successful the Kenning ‘missionaries’ were in having their principles implemented in large firms’ mission statements. Indeed, most of the large Norwegian firms with such statements have used Kenning’s Praxes as their prototype. The attempt by top managers to implement the management principles have caused them some trouble, however. Kenning’s disciples in Norway were blamed for the banking crisis as well as the problems in the State railways and in the failed Storebrand raid against Scandia in the early 1990s. For the most part the attempts to implement Kenning’s ideas in the public sector must be characterized as a failure, for instance in the hospitals, where a government report that made suggestions for a change in management Systems was buried after having been met with much resistance.\textsuperscript{28}

It is intriguing, then, how the major institutions established by Kenning survived his death in 1988. Meetings initiated by Kenning as part of his Consulting practice developed into institutions like ‘the June meetings’ and ‘The president’s club’, in which he brought prominent managers together for discussions and reflections about their own role in their companies and Norwegian society.\textsuperscript{29}

An interesting topic, too, is the relationship between the Norwegian industrial elites and academics and intellectuals, particularly scholars in management and organisation theory as well as journalists and other scholars taking a particular interest in this field. The public debate that arose in the 1990s demonstrated that both academic scholars and a large part of the media did not have a very positive view of Kenning’s management philosophy. The Kenning controversy in the 1990s may have strengthened the mutual disrespect that had developed between industrialists and scholars and intellectuals in Norway. One may also suggest that Kenning’s background as a union organiser, and the fact that his education was of the ‘practical’ kind (i.e. from the General Motors institute) may have helped him gaining acceptance.

**DISCUSSION**

What is interesting about these two cases is that there has been nothing quite like the SNS stakeholder model in Norway after the Second World War, and nothing quite like Kenningism in Sweden during the same period. As has been mentioned, there was a large-scale effort to introduce the Kenning principles in LKAB in 1966-1969, but this is really an exception that underlines the fact that Kenningism did not catch hold in Sweden as a whole. Indeed, the controversy following the wild-cat strike in 1969-1970 led Kenning to give up his work as a consultant in Sweden, even though he has spent a lot of time there between 1966 and 1969. LKAB was a mining company with a rather simple managerial and professional structure\textsuperscript{30}, but it was also a model firm with great ambitions in labour relations and management. In general Swedish firms had tended to develop more
advanced managerial structures than Norwegian firms, LKAB being no exception. The
Norwegian State initiated a considerable number of large-scale industrial projects in the
early post-war era, often in places with no experiences of large-scale organizational
hierarchies, and this may explain why there was such a demand for Kenning’s Consulting
practice in Norway.

20 It is not quite clear why the social responsibility ideology did not gain an institutional
grip in Norway. There were certain efforts in this direction, for example the Study Group
for Norwegian Industry (SNI), founded in 1943, and also SNS Norway, founded in 1955.
The former might be regarded as an attempt by major Norwegian businessmen, like
Gunnar Schjelderup at Spigerverket, to wrest the initiative from the post-war Economic
planning initiatives that were carried out by the exile government in London. The study
group received broad support, but did not by any account live up to its own ambitions.
Neither did it develop a business ideology of the kind exemplified by the SNS. Indeed, it
exemplifies the typical Norwegian pattern of the State taking over the initiative, as SNS
was in its entirety co-opted into the state-sponsored research organization NTNF in 1958.
As was so often the case in Norway, the State had to intervene and compensate for the
lack of business initiative.  The other example of a failed attempt to modernize business
ideology in Norway was the founding of SNS Norway in 1955. The model for this group
was clearly SNS Sweden, but it took a different approach to its Swedish forerunner, with a
much more traditional view of the role of business, ending up as a marginal phenomenon
having problems with establishing any legitimacy outside of a limited circle of ship-
owners and conservatives.

21 Several reasons may be suggested for the stronger position of the social responsibility
ideology and the relative failure of Kenningism in Sweden. Firstly, business interests were
stronger in Sweden. The large firms that developed in Norway after the Second World
War were mainly State firms. The boom that helped Swedish large firms like ASEA,
Ericson and Volvo to take an international lead made its presence felt in Norway too, but
in private businesses, it led to what was called an ‘ashtray’ industry.  There were also
similarities, of course. In order to avoid a confrontation over private ownership after the
Second World War, the idea of a planned economy was launched both in Sweden and
Norway. This idea provoked strong resistance among employers and merchants, leading
to what has been called in Sweden the debate about a ‘planned society’ (Planhushållningsdebatten) and in Norway the political struggle about the Price
and Rationalisation Act. The level of ideological conflict was much stronger in Sweden,
however, due to the strength of the Conservative-Liberal campaign for private ownership.
The timing of the respective debates may also have mattered, since the debate in Sweden
took place mainly between 1944 and 1948, and in Norway between 1945 and 1953.  The
liberal-conservative position was strengthened by the Swedish debate, while it seems to
have been weakened in the case of Norway. This gave the liberals a boost in the 1948
election, and the Swedish social democrats were barely able to continue in government.
The Norwegian social democrats strengthened their position in government both in the
1949 and 1953 elections, however. The outcome was also different. The consequence of
the business counter-offensive in Sweden was that the State did not increase its influence
in business. The Swedish social democrats’ efforts to intervene in industry and create a
climate for democratisation and structural rationalisation were largely relinquished. A
new attempt was not made until the 1960s.  State efforts in this direction were more of a
success in Norway, where a new law gave the political powers extensive authority to
overrule the management in the individual companies with regard to strategic decisions concerning investments, production and prices.

Secondly, the divergent roles of the democracy at work movements were significant. The democracy at work movements became important both in Norway and Sweden. Such movements began earlier in Norway and their influence was more strongly felt at the political level. Projects for work reform and democratization and rationalization were joint projects in Norway, involving unions, employers and researchers. Such joint projects achieved more limited importance in Sweden early on, but it turned out that employers in Sweden took a greater interest in such methods and reforms in the long run than their Norwegian counterparts. Such projects were in general more likely to be employer-initiated and more widely diffused than similar projects in Norway. It was thus reported that the industrial development programme had been diffused to about 500 enterprises in Sweden, but less than 50 in Norway. Clearly, this must have made it easier for employers in Sweden to set the terms of the public debate, and it may also have made it less interesting to use advice from Kenning, since they had already developed unilateral links to other and more academically oriented research groups and consultants.

The labour movements in the Nordic countries were skeptical of codetermination at the top level of the firm. They did not want to ‘sit on both sides of the table’, but rather make use of the power given them from above, through the social democratic governments, and below, by movements for work reform on the shopfloor. The inspiration for the democracy at work movement in Sweden came from the socio-technical experiments of semi-autonomous work groups, first in England and then in Norway. Researchers were active in the democracy at work experiments in both countries, but it seems to have been more important for researchers in Norway to deal with both unions and employers at the same time. It was the combination of their efforts to create joint programmes for industrial development and the political activism of unions that led to the introduction of the work environment acts. This legislation sought to increase worker influence over technological development and workplace affairs. The movement for workplace democracy was successful in changing the focus from the top level of the firm to the division of labour between managers and workers at the lower level of the firm. It was always Kenning’s strategy to begin at the top, however, and at this level he did not have to deal with worker representatives or unions, since there was a tendency in such groups to focus mainly on shopfloor affairs, and not the management affairs that Kenning directed his attention to.

Thirdly, ‘inner circles’ of businessmen seeking to influence politics were set up in both countries before and during the Second World War. There was more secrecy around the activities of such business associations in Norway, however. The revelation, in 1948, that the conservative and liberal parties were supported by secret funds collected among businessmen created a major setback for those who wanted to bolster the role of business in the public mind. It was not seen as legitimate for conservatives in Norway to be part of such activities, and those interested in a political career had to dissociate themselves from the kind of political activism on the behalf of business that was carried out by Libertas and later SNS Norway and Elingaard. Similar revelations about secret funds to support political parties and newspapers did not create a similar setback in Sweden, but caused instead the ‘inner circles’ to develop opinion molding and research and training organizations. These organizations, exemplified by SNS, were able to establish more legitimacy in the public sphere than similar organizations in Norway. The stronger
position of business in Sweden became apparent when the Swedish Employers’ Confederation (SAF) said ‘goodbye to corporatism’ in 1991 by withdrawing their representatives from all the central public committees with decision-making power. The employer’s confederation in Norway discussed a similar move, but in the end nothing happened. One may infer from this that Swedish employers though that they had more to gain from participating in an open public debate than by continuing to cultivate established corporatist relationships. The contrast may also be explained by the longer tradition for business interests in Sweden to rely on the stakeholder model, and the fact that they had established separate institutions, which allowed them to gain a stronger position in research and public opinion. The business interests in Norway actually experienced many setbacks in terms of public opinion in the 1980s, at the same time as the Swedish employers were on the offensive.

Fourthly, Swedish employers had been importing American models of management for a longer time, whereas Norwegian employers had looked more to their neighboring countries. Indicative of this is the fact that Taylor’s *Scientific Management* was translated into Swedish in 1913, whereas the first Norwegian translation is scheduled to appear in 2002. One may thus suggest the hypothesis that Norway lacked the institutional preconditions and also the networks for importing the social responsibility ideology into management. The institutional groundwork for the implementation of management techniques of the kind represented by George Kenning had been laid in Sweden, but there was no need for them since Swedish industrialists had been rather active in importing other kinds of scientific management techniques before and after the Second World War. Specific scientific management techniques had been made use of, whereas such techniques did not get much footing in Norway until the post-war period. Production engineering and export industries were stronger in Sweden, and there may have been more of a strategic fit between the existing social relationships within the firm and the social responsibility ideology. Norway, on the other hand, lacked such a structural fit, and this left room for Kenningism to be implemented instead of the stakeholder model or the social responsibility ideology.

**CONCLUSION**

In his classical study *Work and Authority*, Reinhard Bendix found that management ideologies were much more developed in the Anglo-Saxon world than in Russia and East Germany. These latter countries had made a lot use of techniques developed from Taylorism, but there was no strong sense of managerial ideologies of the American kind. Bendix showed that the most important aspect when making an attempt to study the nature of management does not lie in the managerial work itself, ‘what managers actually do’, as claimed by Mintzberg, but in how managers understand their own role in society and what kind of patterns of authority are created as they deal with the same kind of problems. The industrial owners and managers in the USA and Great Britain developed a rather autonomous position, and it was in order to defend this position that they developed the philosophy of ‘general management’ and a concern for the social responsibilities of business. In Russia and East Germany, by contrast, there was no possibility to develop a similar management ideology since the industrial managers were controlled from above and had to legitimate their actions by referring to the state and the Party. The consequence of this was that “whereas the workers in England and the USA
were invited to become their own masters, if they did not wish to obey; in Russia they were told that their subordination was less onerous than it seemed, because their own superiors were also servants of the almighty Tsar.\textsuperscript{43} It is to take the matter too far, of course, to make a direct analogy from the Swedish to the Anglo-Saxon case, and say that Norway is like Russia (although not long ago the Swedish Minister of Industry claimed that Norway was the last Soviet state).\textsuperscript{44} However, some of the same dynamics observed by Bendix may also perhaps be found in these two cases. The industrial bourgeoisie clearly had established a stronger position in Sweden than in Norway after the Second World War, and it was partly for this reason that they were able to establish stronger links with social research, as indicated by the establishment of SNS, and adopt the social responsibility ideology.

27 The new generation of managers that imported the social responsibility ideology from the United States to Sweden were able develop and legitimize a third position between the interest-based strategies of industrialists and the labour movement. This happened in the wake of a heated debate about industrial planning. A similar opportunity structure did not apparently exist in Norway, and there was thus not a group of managers who could respond in a similar way. Clearly, there was a growth in company size in Norway from the 1950s, and this generated a need for knowledge on how to set up a hierarchy. Kenningism was a response to this need. The Swedish firms had experienced such growth earlier, and had more competence on such issues. The public debate in Norway centered on democratization on the shopfloor and the humanization of work. This difference in focus may relate to the various 'settlements' following in the wake of the two big debates about the role of ownership and industry in society (Norway 1947-1953, Sweden 1944-1948).

28 Norwegian industrialists continued to rely more on informal 'inner circles' surrounded by secrecy, and specific techniques and concepts like Kenningism. They were not able to develop any permanent institutions and direct alliances with researchers and academics as a consequence of their resistance to industrial planning. Except in the case of Kenningism, most major initiatives and research projects in the area of management and organization were joint projects between employers and unions, or between unions and researchers. The state was also involved in such matters. The SNS was an example of a different kind of alliance in Sweden, and it is also became a force in public debate. A similar force is difficult to locate on the Norwegian scene.

29 Strength is of course a relative term. In general it is likely that where the firms are larger, and industry stronger, the industrial bourgeoisie will have more room for action, and more power to influence problem formulation. It may not be the case that there is a one-to-one relationship between strength of business interests in a society and their ability to acquire a hegemonic position in public debate, however. In economic and material terms, Swedish business interests may have been just as strong in the 1970s, when they were more on the defensive, as in the 1980s, when they took the offensive. It is, indeed, possible that a strong bourgeoisie may by its own actions undermine its position in society, as exemplified by the backlash against the American robber barons a century ago.\textsuperscript{45} Similarly, it may be the case that a ‘good’ public relations strategy may improve the standing of a weak bourgeoisie. It is from such a perspective that the question may be raised as to whether the Norwegian bourgeoisie may have had a stronger public position if they had been better at copying the Swedish way, instead of relying on the advice provided by American consultants like George Kenning.
Academic researchers have contributed to all the major movements for corporate governance in Sweden. Clearly there was also a strong academic interest taken in the democratization at work-movement in Norway, but there is no such influence in the case of Kenningism. Kenningism has been a movement among consultants, a business journalist (Schjander) and central industrialists like Karl Glad and Gerhard Heiberg. The linkages between national management intellectuals and industrialists have been much more one-sided and weaker than in the case of Sweden.

Norway is in many ways a much more populist country than Sweden. Compared to social democratic parties in Sweden and other the main Western European countries, the Norwegian Labour Party has been more of an advocate of the common man and the common school, quite skeptical of ‘academic’ secondary education, and more attuned to rural interests. Similarly, the effect of populism and the skepticism about academics and university graduates seem to have been felt on the management side. International surveys show that the educational level of Norwegian top managers, particularly those recruited from the business class, was exceptionally low, even though the general level of education in the population and in the managerial class was above average. The admiration for Kenning may partly be due to his background as a self-made man and ex-union leader. This may have helped him gain respect among a new generation of Norwegian industrialists, who saw themselves in similar terms, and wanted to part company with the traditional class of ship-owners and managers of family firms.

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NOTES

3. Ibid. p. 64.
15. UTNES 1993.
20. N. NAGUIB, Med Kall til Ledelse, mannlig lederkultur i Norge, Oslo, Universitetsforlaget, 1996; T. SØRHAUG, Om ledelse- makt og tillit i moderne organisering, Oslo, Universitetsforlaget, 1996.
22. Dagbladet, 1 January 1970.
30. KARLSSON 1968.
33. SEJERSTED 2001: 87-119.
44. This was said in a situation where the two governments were involved in a heated debate about the reasons for the failure of the Telia-Telenor merger in 1999. See Aftenposten, 9 September 1999.

ABSTRACTS

Cet article étudie deux modèles américains de management — celui qui repose sur l'idéologie de la responsabilité sociale et le Kenningism — et retrace la façon dont ils furent reçus en Norvège et en Suède après 1945. Il est clair que leur impact respectif fut très différent dans les deux pays. J'explique pourquoi ce fut le cas et quelles leçons tirer de ces deux exemples pour comprendre d'une façon générale les transferts culturels.

AUTHOR

HALDOR BYRKJEFLOT

University of Bergen
INTRODUCTION

The influence of the USA on the development of standard costing and budgeting in the UK and France

Nicolas Berland, Trevor Boyns and Henri Zimnovitch

1 The final Roubaix conference session, which brought together participants from both the A and B sessions, revealed a clear difference of opinion. While the macroeconomic view from session A was that Americanisation had been very important for economic growth and development in Europe, the microeconomic view from session B was much more sceptical. In part, this difference seems to have resulted from different conceptualisations of Americanisation. Indeed, even amongst the participants within session B there was no clear consensus as to what was meant by the term ‘Americanisation’. From the microeconomic perspective, this chapter seeks to examine the extent, and speed at which, two accounting tools, namely budgeting and standard costing, were introduced into France and Britain during the first forty years of the Twentieth Century. These techniques have been chosen for study because they are generally seen to have been American in origin. Conventional wisdom has it that they were developed in the US early in the Twentieth Century, but only adopted by European firms after 1950. In this chapter, we present evidence that the development of budgeting and standard costing in France and Britain occurred somewhat earlier, and query whether or not the experiences of these countries can be seen as a case of ‘Americanisation’, narrowly defined as the copying of American techniques with the help of American influences.

2 The approach adopted in this chapter is based on the same reasoning as employed by Amdam and Sogner, namely that to understand the character and complexity of the diffusion process it is important to examine developments at the firm level. Through such studies it is possible to examine whether or not there was a copying of ideas, in full or after relevant adaptations, or whether developments had separate origins, including the possibility of internal sources, largely, if not wholly, independent of external
developments. Case studies, however, require detailed archival investigation of historical business records and, as Sluyterman points out, tracing exactly how companies were affected by any development is often no easy matter for historians. Bearing this point in mind, here we generalise about the process of diffusion of budgeting and standard costing in the two countries based on the results of numerous archival-based studies, of both French and British firms, conducted by the authors and reported in detail elsewhere.

3 In the first part of the chapter we examine the validity of the widely implied view that British and French firms lagged behind their American counterparts in the introduction of budgeting and standard costing. In the second, and more significant part, drawing on the evidence from specific companies, we investigate some of the factors which influenced the adoption of budgeting and standard costing in both Britain and France and, in particular, the role of ‘Americanisation’.

AMERICAN LEAD AND ‘EUROPEAN’ LAG?

4 During the session B discussions, Kipping pointed out, in the context of discussing the concept of ‘Americanisation’, that it is important to distinguish discourse from practice. Much of the existing discourse regarding budgeting and standard costing has emanated from America, and suggests that these techniques emerged there during the 1910s and 1920s in conjunction with scientific management, the move towards ever larger businesses and the development of the multi-divisional business form. Furthermore, it is heavily implied, though rarely explicitly stated, that American firms rapidly adopted these techniques and that they quickly became a fait accompli throughout American business. Checking the validity of this view, outside of a few well-known examples such as Du Pont, General Motors, and General Electric, however, is difficult, not least because the number of case studies conducted by historians into the practices of American firms is relatively small. Hence, any attempt to compare the performance of firms in other countries with that of American companies is difficult because there is no sound base for such comparisons. It is true that a number of surveys of the use of budgeting and standard costing were carried out in America from the early 1930s, and that these often showed usage rates of 50 per cent or more amongst American firms (see Table 1). However, when the nature of these surveys is examined more closely, it is found that they were often small sample surveys and usually heavily biased towards those firms which would generally be considered to have been most likely to adopt these techniques (in particular, large firms). Furthermore, if attention is paid to the accompanying text, rather than simply the headline figures, it often appears that these techniques had only been partially introduced and/or their use was still being developed.
Table 1 - Sample Questionnaire Surveys, U.S.A., 1930-40

<table>
<thead>
<tr>
<th>Sample</th>
<th>Year of Sample</th>
<th>Percentage of Sample using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Study</td>
<td>Size</td>
</tr>
<tr>
<td>A</td>
<td>1930</td>
<td>294</td>
</tr>
<tr>
<td>B</td>
<td>1938-39</td>
<td>285</td>
</tr>
<tr>
<td>C</td>
<td>1939-40</td>
<td>31</td>
</tr>
</tbody>
</table>

Notes
1. NICB, Budgetary Control in Manufacturing Industry, New York, National Industrial Conference Board, 1931.
4. Only one in eight firms had a complete System of budgets.
5. Only 25.6 per cent of the sample had complete budgetary systems.

That firms may only partially have introduced budgeting and/or standard costing is not altogether surprising because such techniques could require major organisational, as well as accounting, changes. Hence, the introduction of such techniques could take many years (often more than five), and in some cases involved continuous evolution. To criticise British firms for only partially introducing these techniques, while assuming that American firms had done so completely, and often apparently overnight, as some writers appear to do, is, in our view, nonsensical and results in a failure to make like-for-like comparisons. Table 2 below presents figures for the number of British and French firms known to have been using budgeting and standard costing in c.1935. Also indicated is the number of firms employing 5,000 or more workers that would have been expected to have used these techniques if Britain and France had exhibited the same proportion using these techniques as did the US, as indicated by sample C in Table 1 above.

Table 2 – Comparison of actual and estimated numbers of British and French firms using budgeting and standard costing, c.1935

<table>
<thead>
<tr>
<th></th>
<th>Estimated</th>
<th>Actual</th>
<th>Estimated</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeting</td>
<td>28</td>
<td>35†</td>
<td>28</td>
<td>15†</td>
</tr>
<tr>
<td>Standard costing</td>
<td>15‡</td>
<td>19†</td>
<td>15‡</td>
<td>0†</td>
</tr>
</tbody>
</table>

Notes
† Indicates a minimum figure based on examples found to date.
‡ A suggested figure since there is no reliable estimate of the number of large firms in France c.1935.

Clearly, in respect of budgeting, the evidence presented in Table 2 suggests that, in proportionate terms, it was not the case that the British and French lagged behind their American counterparts c.1935 but rather that they were ahead of the game. In respect of standard costing, however, Table 2 does suggest evidence of a lag, moreover one that is more pronounced in the case of France, where research to date has failed to reveal any firms which used standard costing prior to 1940. Table 2, therefore, throws considerable doubt upon the conventional wisdom that Europe adopted budgeting and standard costing only in the later decades.
costing with a lag, through a process of Americanisation’ In section two of the chapter we examine various possible explanations for the results depicted in Table 2, including the influence of Americanisation.

EXPLAINING THE DIFFERENCES: SOCIAL AND CULTURAL FACTORS

7 The discussion that follows is divided into two main sections: the first examines the extent of the literature and its impact; while the second focuses on the role of consultants and their influence. In carrying out this discussion we attempt to throw light on the extent of the influence of American ideas and developments, as compared to indigenous ones, on the nature and pace of change in Britain and France.

8 The dissemination of new ideas, techniques and practices can obviously be influenced by social and cultural factors. Learning about new ideas can come through personal contact, for example, as the results of visits, conversations, attending conferences etc., or through reading the relevant literature. In terms of texts, contemporary bibliographies such as that provided by Satet, make it clear that, during the inter-war period, far more books and articles on standard costing and budgeting were published in America than in Britain or France. Two possible explanations for this are, first, the larger potential audience in America and, second, a greater willingness of Americans to commit their ideas and experiences to paper (an explanation which may, of course, be related to the former factor). Lawrence and Humphreys, commenting on the fact that for every British book on a subject there were 20 to 30 American ones, noted the tendency for Americans to write down what they did, whereas the British, being far more pragmatic, simply got on with doing things, rather than writing about them. Indeed, as two contemporary commentators wrote: “the British manager... prefers doing his work to explaining what he thinks he is doing to the world at large”.

9 During the inter-war period, in both Britain and France, articles tended to appear before texts fully devoted to budgeting and standard costing. The first British text on standard costing was published in 1927 while the first book on budgeting appeared in 1932. In France, however, while many authors discussed budgeting, few mentioned standard costs and, when they did, they treated them succinctly without explaining their advantages or presenting the principles (of exception, analysis of variances, etc.) upon which they rested. This reluctance to discuss standard costs in depth can be explained by their incompatibility with the preoccupations of the two main groups which could have aided their introduction: the accountants and the engineers. Throughout the period 1880-1950, the attention of accountants in France was with achieving professional status, something which it was believed could only be obtained by stressing the scientific nature of accounting. Standard costs, being fictitious values (i.e. not actual costs which had been incurred but rather predetermined or estimated costs), undermined this approach and the belief that it was possible to determine the true, real or exact cost. Hence standard costs were ‘crowded out’ of the French literature. Engineers likewise had a preoccupation which excluded consideration of standard costs: at the beginning of the 1930s, strongly inspired by corporatist ideology, they desired to possess a method of cost calculation
which could serve as a source of information for regulating the economy. The wish to be able to calculate a legitimate cost which could serve as a reference point for fixing the price of products, and for comparing the costs of different enterprises, led to them seeking a method which allowed, as precisely as possible, for the charging of indirect costs, and which could be applied in the same manner by all firms in a given industry.  

With neither accountants nor engineers in France pre-disposed in favour of standard costs during the inter-war years, it is not surprising to find that texts largely ignored them at this time. Budgeting, however, found more favour. In the 1920s, authors such as Berran\(^\text{18}\) and Satet and Quaglioni\(^\text{19}\) independently developed ideas that closely resembled budgetary control, but it was the links with the corporatist concepts of hierarchies and responsibility that led to more works of this type during the 1930s. At the 1930 international conference on budgetary control held at Geneva, Musil spoke of human relations in industry, the psychological aspects of budgetary control, the sharing of information and cooperation, while Landauer saw in budgetary control a means of arriving at a “just solution to the controversial problem of the equitable participation in the profits of business”.\(^\text{20}\) Reitell and Lugrin wished to place every individual in the position of a manager directing his own business.\(^\text{21}\) Ponthière expressed the same idea, and emphasised that budgets were not simply a mechanism for reducing costs, but also of creating harmony within a business.\(^\text{22}\) For Bourguin, budgetary control contributed to structuring the French industrial scene according to corporatist logic:

> These same standard prices... can be compared with the elements produced by competition and become a solid base for discussion when putting in place an agreement between producers. Experience shows in effect that the first measure to take is to develop the standard prices which enlighten all the colleagues in a business and permits them to see the real situation and to speak the same language.\(^\text{23}\)

The conclusion, in other words, was that budgetary control ought to permit the resolution of the problem of collaboration between different parties in an enterprise.

While the writing of books and articles clearly forms a key part of the dissemination and diffusion processes, its influence depends on two factors, the receptivity of the audience, and the appropriateness of the techniques outlined. In commenting on the impact of the American literature on scientific management on British practices, McKillop and McKillop argued that American authors often engaged in “diffuse abstract discussion which is most unattractive to the British business mind”.\(^\text{24}\) Merkle has suggested that scientific management had a greater impact on French intellectual thought than on management practice.\(^\text{25}\) Market conditions in France and Britain were much different from those in America, where consumers were happy to purchase homogeneous, mass-produced goods. American industry therefore tended to be much simpler, comprising large-scale manufacture and mass production whereas, in Britain and France, industry had to cater for a more differentiated demand and hence tended to operate on a smaller scale. The applicability of new accounting techniques, developed largely in the context of American big business, may not have been appropriate, at least not without some modification. It is possible that the non-use of standard costing in France before 1940 could be explained by its lack of suitability. In Britain, the new American ideas on costing had to undergo much pioneering work, carried out by British cost accountants, before they proved suitable in British conditions.\(^\text{26}\)
13 From an economic rationalist perspective, the appropriateness of new ideas is clearly important, since differences in experience would be linked to the costs and benefits of the new techniques. Adoption should, of course, occur first and most rapidly in those countries where the net benefit is large, while no development would be expected to take place in countries where it was zero or negative. In relation to scientific management generally, Merkle has indicated that French engineers were already in the process of developing analogues to scientific management control before Taylorism crossed the Atlantic, while in respect of Britain she has argued that it had developed its own solutions to the problems tackled by Taylorism. It is far from clear, therefore, that the advances attributable to scientific management were large for either country. McKillop and McKillop, discussing scientific management in Britain noted the lack of benefit relative to the cost, while Littler has suggested that one of the reasons why British employers rejected Taylorism was the high associated administrative and supervisory costs, leaving many British businessmen unconvinced of the profitability of scientific management. It is not clear, however, that the situation was so different in America, since Fleischman has recently suggested that the reason why scientific management and all that went with it failed to make major inroads in the first decades of the Twentieth Century was because “it was too expensive, ultimately not surviving a cost/benefit test”. He notes that the costs could often be high, while the returns were slow to materialise, with many businessmen being too impatient to wait.

14 Given the generally perceived link between standard costing and budgeting and Taylorism, it seems plausible that forces which influenced the latter would also have impacted upon the introduction of the former. Fleming et al, in their examination of the costing Systems used in the shipbuilding, engineering and metals industries of the West of Scotland, found that in these sectors, where job or contract-based cost Systems predominated, there was a lack of introduction of standard costs and budgetary control before 1960, in part due to a scepticism with the ideas of Taylorism. These authors also note that there were few people in the area skilled in the use of these techniques and that there was a marked reluctance amongst the companies studied to use management consultants. Fleming et al also argue that industrial relations problems in the region, and the engineering culture of management, contributed to the lack of implementation of these techniques and, they suggest, may have done so more generally throughout Britain.

15 While Fleming et al do not suggest a role for anti-American sentiment, it remains a possible explanation, in so far as standard costing and budgeting were perceived at the time, rightly or wrongly, as being American. The electrical engineer and writer on costing matters, Scott-Maxwell, in the discussion following a paper he had delivered on scientific management, criticised the tendency of some commentators to denigrate any idea that came from America: “This disinclination to recognize that any good thing can come out of America or in fact out of any other country - except perhaps Germany in pre-war days - is a dangerous mental attitude to encourage”. The existence of anti-American sentiment in Britain after the First World War is also noted by Moffatt who argued that there was resistance to costing since it was seen as an American invention. In France, although American economic and technological prowess made an impression on some observers in the 1920s, its appeal collapsed under the upheaval of depression in the 1930s. Anti-Americanism was especially prevalent amongst the elite engineers created by the System of grandes écoles, who were concerned to generate French solutions to French problems and to minimise external, especially American, influences.
We now turn to the role and influence of consultants. Social and cultural resistance to ‘imported’ ideas could possibly have been overcome on the ground through the influence of individuals concerned to educate key people as to the benefits of the new ideas. Efficiency engineers, time and motion men, management engineers, cost consultants and management consultants all emerged during the early decades of the twentieth century in each country, but their backgrounds and influences were somewhat different. Kipping has shown that the role of consultancies varied as between different European countries. Whilst the institutional framework in Germany, where key organisations supported the adoption of scientific management, rendered them irrelevant, in Britain they played an important role from the late 1920s. In France, although organisations such as the Comité National de l’Organisation Français (CNOF) and the Commission Générale de l’Organisation Scientifique du Travail (CGOST, later Cégos) were largely in favour of the ideas associated with scientific management, their impact was somewhat limited and thus consultancies played only a partial role. Nevertheless, American consultants such as Harrington Emerson had established a consultancy in France by 1914, C.B. Thompson did so immediately after the First World War, and Wallace Clark and Charles Bedaux did so in 1927. During the 1920s, some French consultancies began to appear, set up in the main by individuals who had previously worked for the American consultancies. In the 1930s, however, many of the foreign consultants left France during the economic and social crisis, and only returned in the 1960s and early 1970s.

In Britain, the impact of American consultants was not altogether different from that in France, though prior to the establishment of the Bedaux consultancy in 1926, their impact appears to have been limited. Although the Gilbreths did some consultancy work in the country between 1910 and 1924, and Rowntree and Urwick modelled the Management Research Groups, formed in late 1926, on the Manufacturers’ Research Associations already established in the US, most of the consultancy work seems to have been carried out by individual British consultants. Following the example of the British Bedaux consultancy, indigenous British consultancy firms began to emerge in the 1930s, with Urwick, Orr and Partners and Production Engineering both being formed in 1934, while American consultancies, such as Stevenson, Jordan and Harrison, also established themselves in Britain at this time.

Although Kreis has argued that the single most important actor in the consultancy market throughout Europe was the Bedaux consultancy, whatever its impact on the adoption of some aspects of scientific management, it does not appear to have had a great influence, in either France or Britain, on the adoption of standard costing and budgeting. It is not altogether clear how many firms in either country had employed Bedaux by the outbreak of the Second World War, but it would appear to have been more than two hundred in each. Kreis, for example, has suggested that, by 1937, 144 French companies had installed Bedaux Systems, while Kipping has suggested that the figure was 350 by 1939, at which time the Bedaux consultancy in France employed about 80 consultants. In Britain, Kreis has suggested that 225 British firms had bought Bedaux’s industrial services by 1937. These numbers are clearly much greater than those for the number of companies in either country using standard costing or budgeting, so the advent of the Bedaux consultancy does not appear to have had a major influence on the adoption of these techniques before 1940. One company where the British Bedaux consultancy may have had some impact in this respect is British Xylonite. At this company, where a System of ‘standard cost prices’ had been utilised for management control purposes since 1882, a
fully-fledged System of standard costing was implemented in the early 1930s, not long after the appointment of J.B.B. Rule as cost accountant and the employment of Bedaux.

Archival research indicates that American consultants were sometimes involved in the development of budgeting and standard costing in both Britain and France, but it is far from clear that they played a significant role. In France, the best known example is Wallace Clark, who helped introduce budgeting at Pechiney after 1929, and also advised other firms, including the Compagnie des Mines de Vicoignes, Noeux et Drocourt, at Noeux-les-Mines, and Les Ateliers des Forges et Aciéries d’Ugines. In Britain, an American, J.J. Lestro, was responsible for introducing standard costing at the Audley Engineering Co. Ltd. and the Daimler Co. Ltd. in the 1930s. In most cases, however, whether in France or Britain, evidence of direct American involvement is limited. At Hans Renold Ltd. in Britain, for example, under the guidance of Hans, and especially Charles, Renold, standard costing and budgetary control were developed in-house by individuals such as H.G. Jenkins and Roland Dunkerley. At BSA, the introduction of budgets does not appear to have been the result of any American influences, nor at Austin Motors, despite Herbert Austin’s intimate knowledge of American developments. In France, the motor vehicle manufacturers, Renault and Berliet, like Austin, also had a good knowledge of American developments. Despite earlier experiments, it was only after Louis Renault visited the US in 1911 that certain techniques of scientific management were introduced in a serious way. However, these did not extend to standard costing or budgeting.

Although a significant factor militating against adoption of American ideas in France was the difference in language, this could be overcome by translations of American works into French. The main works of Taylor were so translated, and a French version of *The Principles of Scientific Management* was distributed widely by the French government during the First World War. Berliet even had a translation made for himself of the series of papers by Charter Harrison on standard costing published in the journal *Industrial Management* in 1918-19. Although Berliet was clearly interested in the technique, like others, however, he failed to introduce it in his company before the Second World War.

Outside of the industrialists, certain individuals in France did try to encourage the use of new accounting methods. The most influential was Robert Satet, an academic, a member of the Taylor Society and a prolific writer of articles and books, who produced at least 57 works between 1926 and 1958, many of them on budgetary control.

While some American consultants clearly came to Britain and France, and many European industrialists and engineers from these countries visited American companies to examine the latest business developments, it is far from clear that the introduction of standard costing and budgeting can be seen as simply a case of Americanisation. Archival research in France indicates that French industrialists and engineers did begin to develop techniques which, in many ways, were comparable to, or contained elements of, budgeting and standard costing. Though these probably owed something to American influences, there are sufficient differences to suggest that indigenous factors played a significant role. As French industrialists and engineers struggled to overcome new management problems in the late 1920s, they sought French solutions to French problems, largely independent of outside, especially American, influences. Hence, we find not only the ignoring of standard costing, but also the development of techniques which were close to, but did not exactly imitate, the American technique of budgeting. In Britain, archival research suggests possibly a somewhat closer link to what was happening in America. Standard costing was introduced before the Second World War,
and budgeting was also developed from an early stage. In marked contrast to the supposed order of development in the US, however, save for one or two companies such as Hans Renold Ltd. and the Austin Motor Co., where the techniques were introduced largely alongside one another, most British firms implemented the use of budgeting before they adopted standard costing.

CONCLUSION AND EPILOGUE

22 The finding of key differences between not only the experiences of Britain and France, but also between these two countries and that of America, suggests that inter-war developments in budgeting and standard costing were not simply a case of Americanisation. This finding echoes somewhat that of Nelson who has argued, in relation to the diffusion of scientific management, that European countries developed their own indigenous movements which, while they “drew inspiration from the American pioneers...[they]...soon developed identifies of their own”.50 We would, however, in respect of standard costing and budgeting, point to certain differences. While a key role, in both Britain and France, was played by engineers and industrialists who had “some exposure to systematic management and were eager to realize the potential of the large and complex organizations they worked for or consulted”51, this linkage was not always a positive one. Different social and cultural factors in Britain and France influenced the response to similar economic and managerial problems. In both Britain and France, the introduction of budgeting in a meaningful way pre-dates that of standard costs, whereas in America, it appears to have been the other way around.

23 In this chapter, we have presented results of archival research which throw doubt on the conventional view that British and French firms lagged behind their American counterparts in the adoption of standard costing and budgetary control during the first four decades of the Twentieth Century. Furthermore, it has been suggested that the British and French experiences to c. 1940 were not simply a case of Americanisation’, i.e. copying what America did, or in the way that America did it. Our results, however, should not be seen as necessarily negating the use of the term Americanisation’ to describe the process of adoption of advanced US management methods after 1950, though this has still to be investigated. The research reported in this chapter, however, does suggest that any post-1950 Americanisation’ may have been substantially different as between Britain and France. In Britain it might simply have been a case of reinforcing an already existing tendency to move towards the application of budgeting and standard costing. For France, however, Americanisation’ may have generated much more significant changes. Prima facie there is a case that, in matters of cost calculation, the pre-Second World War blockages that were established in France by the accounting profession and corporatist ideology were removed. The discourse was very much different after 1945. In books and articles, not forgetting the French accounting plan (plan comptable général), standard costs were presented in a more detailed and flattering light and, together with concepts such as direct costing, a term which the French did not even bother to translate, became more generally accepted. With the aid of consultants, a number of French firms, from the beginning of the 1950s, increasingly became aware of these methods and began to put them into place. In respect of budgetary control, the main change in France after 1950 appears to have been in the manner in which the technique was presented, and the functions which were assigned to it: it lost all its political connotations, and its raison
d'être became centred on its usefulness, within a climate of renewed human relations inside firms, in which a new social group, the managerial staff, was invited to participate. It is clear that the nature of ‘Americanisation’ is somewhat enigmatic: it is difficult to define and its influence may have changed over time. In the context of a definition which sees it as the copying, by other countries, of American techniques with the help of American influences, it is only through further detailed archival research that we will get to learn more about the nature of this phenomenon, if, indeed, it really existed. Such research, however, will need to be carried out not only in countries such as France and Britain, but also crucially in America so that the development of managerial practices and techniques there can be better understood and thus provide us a with a valid yardstick against which to not only measure, but also to compare and contrast, developments in other countries.

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NOTES

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2. ‘Budgeting’ is used here to cover the whole range of possible uses of budgets, extending from simple estimates of future expenditure to the development of more formalised Systems for realising management’s responsibilities for planning, co-ordination and control.


4. See Chapter Twelve, below.

5. See Chapter Thirteen, below.

6. For details of companies known to have used budgetary control, see N. Berland and T. Boyns, “The Development of Budgetary Control in France and Britain from the 1920s to the 1960s: A Comparison”, European Accounting Review, forthcoming. Details of British companies using standard costing can be obtained from Trevor Boyns.


9. In the US context it has been argued that consultants were the main proponents of standard costing (R.K. Fleischman and T.N. Tyson, “The Evolution of Standard Costing in the UK and US: From Decision Making to Control”, Abacus, 34 (1), 1998, p. 113).


41. Urwick, who had succeeded Albert Thomas as director of the IMI in September 1928, joined together with John Leslie Orr, a former employee of British Bedaux, following the closure of the IMI in December 1933.
42. FERGUSON 1999:116.


45. KIPPING 1997: 75.

46. KREIS, 1992: 157. The consultancy was renamed Associated Industrial Consultants in the late 1930s.


48. The development of the techniques in-house reflects Hans’s preference for lasting gains which he felt would not result from the use of ‘professional business organisers’ who came in, made quick assessments, suggested changes and then left (H. RENOLD, “Engineering Workshop Organisation”, Proceedings, Manchester Association of Engineers, Discussion Session, 1913-14, p. 21). Even so there were undoubtedly American influences here: Hans visited America regularly from 1891; Charles graduated with a masters degree in engineering from Cornell University; and the company had close contacts with Link Belt, an early pioneer of Taylorism in the US.


ABSTRACTS

Cet article retrace les premiers développements, avant 1950, du contrôle budgétaire et des coûts standard en Grande-Bretagne et en France; il s’intéresse plus particulièrement à l’influence que les États-Unis ont pu exercer alors. Une première partie est consacrée à la comparaison des niveaux de diffusion de ces techniques dans chacun des pays. Une seconde partie cherche à rendre compte des différences a partir des facteurs sociaux et culturels. Ce travail fait ressortir le caractère singulier des situations observées et montre que ce qui s’est produit en France comme en Grande-Bretagne n’est pas explique par le terme d’américanisation.

AUTHORS

NICOLAS BERLAND
University of Wales, Cardiff

TREVOR BOYNS
University of Wales, Cardiff
British responses to the cultural influence of American films, 1927-48

Peter Miskell

1 Throughout the period of the cinema’s greatest appeal, which in Britain lasted from the 1920s to the 1950s, the vast majority of films shown in British cinemas were of American origin. British films did constitute approximately a quarter of screen time for most of this period, and many of these productions proved popular with domestic audiences. For the most part, however, it was Hollywood studios that provided the British cinema-going public with its favourite films and stars. As one cinema proprietor explained to a rather disgruntled patriotic customer in 1932: “[the public] say they want British films, but when we show one, as a rule, we do bad business. There are probably a small number of people, like yourself, who are prepared to support British entertainment, but it would appear the vast majority of the public prefer the American variety: it’s a matter for regret”.  

2 It is also a matter for historical examination. This chapter will examine the response, in one European country, to the international dominance of American films. The focus here is on the UK. This was not a country where Hollywood entertainment was thought to pose a particularly serious political or ideological threat; it was a country with a long tradition of liberal, free trade opinion; and it was also much the most important foreign market for American film producers. The debates surrounding the impact of American films on the UK may or may not have been typical of those in other countries, but they do give an insight into how British opinion formers and policy makers responded to the increasing American influence on British society.

3 The chapter is divided into three sections. The first provides a brief analysis of the central position that the cinema, as a social and cultural institution, played within British society in the period covered here. This is necessary in order to underline the point that American domination of the film industry provided the most visible evidence of the increasing American influence on British culture and society. The second section examines responses within Britain to this ‘American invasion’. It argues that there were differing bodies of opinion about how the British film industry ought to develop. Concerns about the weakness of the British film industry led to government action in the form of the 1927 Cinematograph Films Act, but the legislation did not satisfy the concerns
of the most influential critics in the 1930s and 1940s. The third, and final, section looks at
the British government’s ill-fated attempt to impose a 75 per cent import duty on foreign
films in 1947 and the subsequent boycott of the British market by US film producers. The
failure of this policy illustrated not only that the British film industry was hopelessly
unprepared to offer an alternative to American entertainment, but also that the British
public was not prepared to go without its regular diet of (mainly Hollywood) films.

CINEMA AND SOCIETY IN BRITAIN

4 By the 1920s the cinema was widely understood to be one of the country’s most popular
and influential forms of entertainment. At the very highest levels of government the
cinema was recognised as an important institution. As the Chancellor of the Exchequer
put it in 1921: “the educative effect of these entertainments is very great; and their
mollifying and assuaging results upon the public temperament are even of more value in
times of difficulty”. Yet the 1920s could also be fairly described as the nadir of the British
film industry.

5 While cinema attendances appear to have been booming and new cinema buildings were
being erected (and existing ones refurbished) across the country the production side of
the British cinema industry was in some disarray. As one of Britain’s leading film
historians confirms: “Our film culture has no roots in, and no memory of, the formative
silent period. For a country which was to become a major producer in the Sound period,
this is extraordinary”. The lack of British feature films in the 1920s had not escaped the
notice of the Board of Trade, which observed: “Prior to 1914 some 25 % of the films shown
in Great Britain were made here. During the War our production rapidly declined and the
United States obtained almost a world monopoly. In 1926 probably not more than 5 % of
the films shown were British”. The popularity of American films among British audiences
brought to a head certain tensions between the cinema’s social, economic and cultural
roles in British society.

6 Socially, the cinema played a crucial role as a provider of light, escapist entertainment, at
very low cost, for a population struggling to cope with the stresses first of the inter-war
depression, then of war, and finally of post-war austerity. In the 1920s and 1930s cinema-
going was noticeably more pronounced in the parts of the country that were worst
affected by the economic depression. In the 1940s, when the whole country faced up to
hardships caused by shortages, rationing, long working hours, the threat of aerial
bombardment and anxieties over loved ones, cinema attendance reached new heights.
The medium’s appeal remained at this extraordinary level during the post-war years of
social and economic hardship and did not go into steep decline until the affluent years
from the mid-1950s. For audiences between the 1910s and the 1950s, the cinema was more
than a provider of films, it was a social institution at the very heart of towns, suburbs and
local communities. The centrality of the cinema to the social life of so many communities
was well understood, both by government and industry. It was something that nobody
wished to disturb.

7 Culturally, the cinema’s influence was a matter of dispute: for some it was regarded as
being a major asset, the century’s newest art from; for others it was popular commercial
entertainment at its worst. Leaving aside considerations of the development of film art,
there was plenty of scope for discussion about the influence of the more popular screen
The ability of British film producers to reach an international market, and to compete on equal terms with their American counterparts, was regarded as a matter of national prestige. For those who cared deeply about the Empire, and the projection of a positive national image overseas, the failure of the British film industry to compete with Hollywood was a regret and a real concern. For those whose main concerns lay somewhat closer to home, the cinema appeared to be a harbinger of ever greater Americanisation. To such minds it was deemed necessary not only to control and regulate the impact of this form of popular entertainment, but also to encourage and promote the making of culturally uplifting films.8

Economically, the cinema’s influence could be seen in at least three respects. First, it acted as a provider of jobs. According to the 1951 census of England and Wales, just under 86,000 persons were employed in cinemas, with almost a further ten thousand working in film production and processing. In the more economically depressed regions, the work available in the numerous local cinemas may not have made much impression on the unemployment statistics, but it was certainly welcome. Second, it was believed that the styles, fashions, products and general consumption patterns portrayed on cinema screens had a significant impact on audiences. The argument that ‘trade follows the film and not the flag’ was often heard at this time. A successful British film industry, according to this thinking, was not just a Symbol of national prestige but a real economic asset. Third, and perhaps most significant, was the simple fact that so many people chose to consume cinema entertainment at all. The 30 million weekly attendances in the immediate post-war years accounted for a sizeable chunk of disposable income. The fact that so much of this found its way back to American-owned film companies was a serious issue at a time when the British economy was desperately short of dollars. Under these circumstances the cinema was regarded not as an economic asset but an expensive (unaffordable) luxury.9

The cinema industry, and American cinema entertainment in particular, had become an important part of the very fabric of British society in the period covered here. There were certainly those who were critical of the cinema’s role in bringing about the ‘Americanisation’ of British society, but for most of this period there was a broad consensus of opinion among the government, the cinema industry and the cinema-going public that nothing should be done to endanger the supply of Hollywood films to the British market. The need to keep cinemas open for business was ultimately more important than bringing to an end the reliance on American films. A recognition of this fact underpinned the British government’s response to the popularity of Hollywood entertainment in this age of protectionism.

DIFFERING RESPONSES TO US DOMINANCE AND THE 1927 CINEMATOGRAPH FILMS ACT

In 1927 Parliament passed the Cinematograph Films Act which was meant to revive the British film industry. The Act introduced a minimum quota of British films to be screened in British cinemas (rising from 5 per cent in 1927 to 20 per cent by 1936). For the purposes of the Act, a film’s nationality was defined in economic, rather than cultural terms. A British film, therefore, was one made by a British subject or by a company of which the majority of directors were British. A majority of the labour costs (75 per cent) had to go to
British subjects and all studio scenes had to be shot in Britain or the Empire. The intention of the Act was to give a much needed boost to film-making in Britain providing an outlet for British-made films. The Act has been much criticised for creating a situation in which inferior British films were guaranteed a market, and American companies were encouraged to set up subsidiary companies in Britain for the sole purpose of mass-producing cheap 'British' films that would satisfy quota requirements (the so-called 'quota quickies'). More recently, a number of historians have argued that the Act was much more successful in supporting the British industry than had previously been supposed. Not only were many of the films produced by British companies highly popular with audiences but also the experience and opportunities offered to young British film-makers and actors in the 1930s helped to nurture a generation who went on to form the bedrock of the British film industry for decades to come. As H. Mark Glancy has observed: “The low-budget British films, like Hollywood’s ‘B’ films, provided early opportunities for young or developing directors and actors. The film careers of directors such as John Baxter, Adrian Brunei, Michael Powell and Carol Reed began with ‘quota quickies’, as did the careers of actors Errol Flynn, Vivien Leigh, James Mason, John Mills and Laurence Olivier”.

It is argued here that the reason why the 1927 Act was viewed negatively for so long was because the criteria on which it was judged were quite different to the reasons for which it was introduced.

11 The weakness of the British film industry in the 1920s and the cultural influence of Hollywood’s output was widely felt to be a matter of concern, but it is possible to detect distinct responses to the problem from differing sections of the middle class. Here it is useful to draw on George Orwell’s famous and much quoted analysis of the English middle class written in 1940. There were, according to Orwell, two “important sub-sections of the middle-class” which he regarded as “symbolic opposites”: one was “the military and imperialist middle class, generally nicknamed the Blimps”, and the other “the left-wing intelligentsia.” The Blimps, the Empire builders and administrators, had even before 1914 begun to lose some of their vitality. Their brand of blind patriotism and anti-intellectualism, however, was never far below the surface of both popular and official opinion in inter-war Britain. The intelligentsia, on the other hand, although not without influence, had largely been excluded from positions of official authority: “If you had the kind of brain that could understand the poems of T. S. Eliot or the theories of Karl Marx, the higher-ups would see to it that you were kept out of any important job. The intellectuals could find a function for themselves only in the literary reviews and the left wing political parties [emphasis added]”.

12 To literary reviews can easily be added film criticism, for the qualifies which characterised the English intelligentsia, as Orwell saw it, were precisely those which underpinned the more serious film reviews. He asserted, for instance, that “the English intelligentsia are Europeanised. They take their cookery from Paris and their opinions from Moscow.” Film critics, similarly, were most enthusiastic about the work of directors such as Eisenstein, Pudovkin, Pabst and Clair. The contempt which Orwell claimed the intellectuals had for “every English institution, from horse racing to suet puddings” also applied to British films. Further, the journals which Orwell cites as the principal organs of the intellectual left, the New Statesman and the News Chronicle, were precisely those in which such critics wrote. The distinctions that Orwell drew between the Blimps and the intelligentsia are nowhere more evident than in the response to the cultural influence of the cinema.
Among the more ‘Blimpish’ elements of the middle class lay a strong concern that the international dominance of American films was undermining British influence abroad. A letter published in the Times in 1932 captured the essence of the argument concisely:

No close study of films and talkies is needed to convince one that the British point of view is neglected overseas. There is little enough shown with ‘home’ as a setting; practically nothing of the Empire, that treasure-house of colour and drama. Sentimentally this is a pity; politically it is a tragedy, for in this case ‘point of view’ connotes standards, influence, trade...

The paper itself strongly endorsed such sentiments: “The British Empire should know itself; and the world should know the British Empire”. It was concerns such as these which had led to the establishment, in 1929, of the Commission on Educational and Cultural Films. The Commission’s 1932 report, The film in National Life, devoted a chapter to ‘The Cinema and the Empire’ in which it was argued:

The backward races within the Empire can gain more and suffer more from the film than the sophisticated European, because to them the power of the visual medium is intensified. The conception of white civilisation which they are receiving from third-rate melodrama is an international menace, yet the film is an agent of social education which could be as powerful for good as for harm.

The authors of the report concluded that a National Film Institute needed to be established, “an important branch” of which “should deal with Imperial and Colonial film affairs”.

Attached to these fears about the cultural influence of American films and the need to maintain Britain’s standing abroad, was the concern that a failing film industry was damaging to trade. ‘Trade follows the film’ was the much heard cry, as it was argued that international exposure to American culture and lifestyles through the movies had created a demand for American goods. A successful British film industry, so the argument ran, would open up new export markets for UK firms across the economy. Whatever the merits of this argument as an explanation for declining UK industrial performance, it seemed to hold some sway at the Board of Trade. The evidence given by the Board of Trade to Lord Moyne’s Committee on Cinematograph Films in 1936, provides as clear an indication as any of the Government’s reasons for introducing the legislation of 1927:

It was indicated that the cinema is the most universal means through which national ideas and national atmosphere could be spread... Apart from the national aspect, there was also the importance of the cinema to our trade abroad from the advertising point of view... the constant exhibition of foreign films has considerable effect on the sentiments, habits and thoughts of the people. Foreign flags, foreign styles and foreign habits are impressed upon their minds. From the points of view above given it was submitted by the President of the Board of Trade, in introducing the Bill, that the need for the development of British films, from a national and a trade point of view was firmly established.

The concerns about Britain’s image overseas and the need to promote trade were both significant factors behind the 1927 Cinematograph Films Act. As Sarah Street has explained: “Britain and the Empire were in danger of overexposure to screen advertisement of American goods and lifestyles. Concern over the propaganda value of film and anti-Americanism therefore played a large part in securing the passage of the Cinematograph Films Act, 1927”. The emphasis on Britain’s imperial and trading interests no doubt helped to get the protective legislation through Parliament at a time when the Government was officially in favour of free trade, but the sentiments were genuine enough. As Julian Petley has said of the climate of opinion existing in 1927:
“Compared to, for instance, France or the USSR there was at this time little interest in the art of the film, or in the cinema as what might be called a ‘cultural industry’. More typical of the level of debate was Lord Newton’s concern with the ‘industrial, commercial, educational and Imperial interests involved’”. Film art was clearly of little concern to legislators, but this did not mean it was ignored altogether.

The class that Orwell labelled the ‘Blimps’ may have had political influence, but from the mid-1920s there was also a growing body of intellectual critics who began to take the cinema seriously as an art form. The formation of the Film Society in London in 1925 and the establishment of journals such as *Close-Up* (1927) and *Cinema Quarterly* (1932) provided the platform for a more intellectual appreciation of film as an art form in Britain. By the mid-1930s there was an established body of critics writing seriously about film not only in specialist journals but also in the national press. This body of opinion had not featured prominently in debates surrounding the 1927 Cinematograph Act, but they certainly exerted an influence on how that legislation was subsequently judged.

The sorts of films that received critical acclaim in Britain in the 1930s and 1940s were not those that formed the bulk of the average cinema-goer’s screen diet. Yet until very recently the critical consensus established in the 1930s and 1940s about which films deserved to be taken seriously remained in place. Until at least the 1980s, therefore, most film historians were prepared to accept that the British industry had produced few feature films of note in the 1930s, and that the so-called golden age of British cinema in the 1940s was based largely on the work of a few directors such as David Lean, Carol Reed and Michael Powell and the occasional gem from Ealing studios. From this perspective the effect of the 1927 Cinematograph Act was hardly impressive. Film production may have increased in the 1930s, but the films themselves were much maligned and added little of cultural significance. Rachael Low’s assessment - that “The 1927 quota legislation intended to solve all the industry’s problems was a failure... [which] went far to ruin the reputation of British production as a whole” - was widely shared.

It may very well be true that the 1927 Act did relatively little to advance the development of film art, but it is important to remember that this was not the reason for its introduction. The Act’s supporters were more concerned with protecting British influence and trade than they were in film as a medium of artistic expression. If the expectations of both the imperial/patriotic and the critical/intellectual elements of the middle class were to have been satisfied, the British film industry would have had to achieve a number of conflicting objectives. It would have needed to be able to rival Hollywood in terms of popular cultural influence, yet not be guided by purely commercial considerations; and to have produced films that were widely popular without being populist; to have created films that were ‘truly British’ yet suitable for an international audience.

In fact, the design of the Films Act was such that the concerns of neither the most patriotic nor intellectual critics of British cinema were addressed directly. By allocating approximately a quarter of all screen time in cinemas for the showing of British films, a market was created for small or medium budget British films directed at a domestic audience. The UK market was simply not large enough to justify big-budget productions that may have been able to rival the top Hollywood films for international popularity. Apart from the occasional success such as *The Private Life of Henry VIII* (Alexander Korda, 1933) such ventures were not financially viable. British film studios were not able to guarantee international distribution for their films, regardless of how much they spent...
on production. Far from enabling the British film industry to challenge the international supremacy of Hollywood, the 1927 Act did not even bring to an end the American dominance of the domestic market. Around three-quarters of screen time continued to be taken up by American films. Furthermore, the Act’s definition of a British film as more an economic than a cultural product did little to encourage the emergence of a distinctive national cinema.

The inability of the British film industry in the 1930s either to rival the international popularity of Hollywood or to achieve the level of critical acclaim reserved for French or Soviet films should hardly come as a surprise given that film-making had virtually ground to a halt in Britain by the mid-1920s. Yet failure to achieve these (over) ambitious goals should not obscure the real advances made as a direct result of the Act. In 1926 only 36 films were made in Britain constituting just 5 per cent of cinema releases. Ten years later the British film industry was churning out over 200 films per year. By this time the industry had become much more concentrated, along American lines, with the formation of two large vertically integrated combines. The Gaumont-British Picture Corporation and the Associated British Picture Corporation could not rival the major Hollywood studios, but within Britain at least were able to combine the functions of production, distribution and exhibition and thus guarantee an outlet for their films in their own chains of cinemas.

The result of the 1927 Cinematograph Act was the development of a moderately successful British film industry that served a domestic market. A measure of the industry’s success can be gauged from the fact that most cinemas in the 1930s actually screened more than their minimum quota of British films. A number of low quality films were made (often by British subsidiaries of American companies) that were intended to do little more than satisfy quota requirements. For the most part, however, British studios, working within tight financial constraints, were able maintain a steady output of low budget films that audiences were happy to watch. This was a significant advance on the situation existing in the 1920s, but it was not enough to satisfy those who felt that Britain ought to be a leading international player in this industry. The failure of the 1927 Act, therefore, was not a failure to encourage the development of a domestic film industry, it was a failure to develop an industry with international cultural influence.

The experience of the 1930s led to a subtle but significant change in government policy. The 1938 Films Act (the 1927 legislation had only been meant to last for ten years) relaxed quota restrictions for US companies which invested more money in their ‘British’ films. By the end of the 1930s the logic behind Britain’s film policy was no longer based on building up a strong independent film industry that could present the British way of life to international audiences. In public the politicians continued to use bold and ambitious language, but behind this lay a recognition that Britain could not compete on equal terms with Hollywood. As Sarah Street has pointed out, shortly after the President of the Board of Trade (Oliver Stanley) made a speech proclaiming that “I want the world to be able to see British films true to British life, accepting British standards and spreading British ideas”, he agreed with the American Ambassador (Joseph Kennedy) to insert pro-American clauses in the new Films Bill. No longer was it assumed that the British film industry would be able to rival Hollywood; on the contrary, it was now appreciated that if the British industry was to prosper at all it needed to attract more American investment. As Street tells us: “Britain was no longer in a position to be Hollywood’s reluctant and
ungrateful customer. By 1939, therefore, the ideal of a strong British film industry had been compromised by complex economic and political realities”.24

**BRITAIN’S RELIANCE ON HOLLYWOOD FILMS: THE ‘BOGART OR BACON’ DEBATE**

25 By the end of World War Two economic and political realities had reached crisis point. After years in which industry had been geared towards supporting the war effort, the transition to peacetime economic realities was a slow and difficult process. In short, the British had been living off imports for which they could no longer afford to pay. If the Treasury was not to run out of dollars the consumption of American goods had to be cut back. Unsurprisingly, under the circumstances, the popularity of Hollywood entertainment increasingly came to be viewed in official circles as an unaffordable luxury. As Geoffrey Macnab has explained: “This was to have dire consequences for [J. Arthur] Rank and the British film industry”.25

26 Levels of cinema attendance had reached new heights in Britain during World War Two, and remained remarkably high throughout the decade. In 1946 there were 31.6 million tickets sold at British cinemas each week.26 A survey made at the end of the decade showed the British to be by far the world’s most avid film-goers.27 Economic hardship only served to fuel the cinema’s popularity, which in turn acted as a drain on the country’s dollar reserves and escalated the economic crisis. In 1947 it was estimated that the earnings of American films in the U.K. amounted to $70 million. As the cinema became more of a social necessity, it also became a greater economic burden. The Conservative MP, Sir Robert Boothby, had expressed his concerns in Parliament in 1945: “If I am compelled to choose between Bogart and bacon I am bound to choose bacon at the present time”.28

27 Within two years the Labour Government appeared to have come round to a similar view. In August 1947 the axe fell. An ad-valorem tax was imposed on the import of foreign films.29 This marked a dramatic shift in British film policy. Until this point governments had sought to protect and support the British film industry without depriving audiences of the opportunity to see American films. The cultural/economic benefits of a healthy British film industry had been balanced against the social/economic importance of cinema consumption in Britain. The 1947 ad-valorem duty, however, made no such attempt to balance the interests of producers, exhibitors and audiences. The duty was introduced as a crisis measure. It came at a time when the Prime Minister was warning the country “that it was about to fight another Battle of Britain”.30 Under these circumstances there was little room for consideration of the preferences of cinema-goers. The decision between Bogart and bacon had been made, and the government had opted for the latter.

28 This bold announcement took most observers by surprise and quickly exposed the conflicting interests of those in different sectors of the industry. Within two days, the American companies, in the form of the Motion Picture Export Association (MPEA), had responded by announcing a total boycott of the British market. As Eric Johnson (President of the Motion Picture Association of America) put it, the British were attempting to get “a dollar’s worth of film for a quarter”.31 Nobody involved in the U.S. film industry was prepared to let them.
It was never feasible for British producers to suddenly fill the void left by the absence of American films from the market. In the years prior to the duty, British films made up barely a quarter of all those shown in British cinemas. There was simply not the money, skill-base nor studio space within Britain to increase film production from around 100 films a year to over 400. The nation’s favourite form of entertainment was suddenly in very short supply. Nowhere was this more keenly felt than among cinema exhibitors. The majority of British cinemas at this time were not owned by major companies, but belonged to small, locally managed chains, or were completely independent. To the managers and proprietors of these halls the loss of a regular supply of American films was a very serious threat indeed. Their views were expressed by the general secretary of the Cinematograph Exhibitor’s Association who, in 1948, made dire predictions for the industry as a whole, arguing: “It is the biggest threat to our future yet... In the end there won’t be enough cinemas open for our films to pay their way - which means our studios would close down”.  

With large sections of the British cinema industry allegedly on the brink of collapse, and the British government under intense pressure from the U.S. State Department, which argued that the import duty was totally against the letter and the spirit of the Vinson loan agreement, the duty was eventually removed. In March 1948 the recently appointed President of the Board of Trade, Harold Wilson, came to an agreement with the U.S. companies, whereby they would be allowed to remit $17 million of their British profits annually. Much to the annoyance of the Americans, Wilson also decided to set a new quota of British films to be shown in cinemas at 45 per cent. The deal struck by Wilson was good enough to get the U.S. boycott lifted without crippling the balance of payments. Robert Murphy has described this as “an adroit settlement of what had developed into a futile and mutually harmful dispute”. It is hard to disagree. Certainly, there were those who felt aggrieved by the deal. Eric Johnson of the MPAA complained to the Board of Trade in 1948 that “This 45% quota is excessive, unnecessary and impossible of fulfilment, and violates the spirit of the Film Agreement recently negotiated between the British Government and the United States film industry”. The following year Alexander King, representing British film exhibitors, expressed his view that “Nothing has happened in this trade to alter the long accepted division of playing time between British 25% and American 75%”. Both the U.S. film producers and British exhibitors hoped for a return to pre-war conditions, but account had to be taken of the changed economic circumstances. When a U.S. Embassy official visited the Foreign Office in August 1948, hoping for at least some gesture of goodwill regarding the films quota, it was put to him that:

We were bound to take all the steps open to us to build up film production in this country if our film supply was not to be at the mercy of our dollar situation. I also pointed out to him that even under the present quota, the American industry was left with more than half of the most valuable part of our screen time, and that this was a very substantial hold on our market.

The policy adopted by Harold Wilson at the Board of Trade was actually not so different from that taken by British governments since 1927. He had moved away from the draconian measures introduced by the Treasury in 1947. The failure of the ad-valorem duty illustrated that there was little to be gained by asking people to choose between Bogart or bacon. The cinema industry may have been an expensive drain on resources, but it was a highly important industry which could not be put at risk.
It has been said that “to be an Englishman working in the film industry is to know what it’s like to be colonised”. The point is surely a valid one. Any hopes and dreams that may have existed in the 1920s that Britain might be able to advance its Imperial power through the export of films, had been replaced by the 1940s with the reality that the British themselves needed to go on buying American movies even when it seemed to be against the country’s economic interests. Far from laying plans for a British assault on the international film market that would bolster national prestige and expand trading opportunities, government officials by the end of the 1940s were more concerned with how to regulate the flow of American films into the UK without bankrupting the Treasury. The dominance of US films on British cinema screens not only provided evidence of the growing ‘Americanisation’ of British society, it was a clear indication of Britain’s diminishing status as a world power. This fact, it would seem, has done much to shape the way in which the British film industry of the 1930s and 1940s has been regarded. For most of the second half of the Twentieth Century, when historians were preoccupied with Britain’s ‘decline’, the inability of the film industry to stand up to American dominance looked very much like another example of national failure. Within the last decade, however, as attitudes to decline have moved on and Britain’s economic performance has been interpreted more favourably, the performance of the British film industry has also been re-assessed. Rather than viewing Britain’s failure to compete with Hollywood as a failure, attention has been focussed on the real progress that was made in British film-making in the 1930s and 1940s. By removing the expectation that the British film industry should have been a world leader, it has been possible to judge it on its own terms, and not in comparison with Hollywood. This reassessment may allow us to look more favourably on the performance of the British film industry, but it also serves to underline the degree to which American cultural influences in Twentieth Century Britain have come to be accepted.

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NOTES

3. Reliable national statistics for cinema admissions do not exist for the years before 1934, but judging by the number of cinemas already in existence by then, the popularity of silent film stars from Chaplin to Valentino, and the general level of public and political debate that the medium generated, cinema-going was no less popular in the 1920s than it was in the 1930s.
4. The number of cinemas in Britain increased from just under 4,000 in the early 1920s to around 4,500 by the mid-1930s. The increase in seating capacity would almost certainly have been much greater than this, however, as some of the smallest halls were replaced by much larger ‘dream palaces’.
6. Evidence of Board of Trade to Committee on Cinematograph Films (Lord Moyne’s Committee), 1936, BT 55/3, PRO.

9. Deputation of cinema exhibitors to the Chancellor of the Exchequer, 12 March 1934, T 172/1408, PRO.


15. Ibid.


17. Evidence from the Board of Trade to Committee on Cinematograph Films, 1936, BT 55/3, PRO.


24. Ibid. p. 25.


27. A UNESCO survey found that the number of annual cinema admissions per head of population in Great Britain was 28, while the United States was some way behind in second place with 23. See BROWNING and SORRELL 1954: 136.


30. Quoted in MACNAB 1993: 162.


33. MURPHY 1989:223.

34. Eric Johnson to Board of Trade, 22 June 1948, BT 64/4538, PRO.
Cet article étudie la réponse britannique à la domination culturelle des films américains entre les années 1920 et 1940. Nous allons montrer que dans les années 1920, le cinéma constituaît clairement une des formes les plus populaires de spectacle et qu’il faisait partie intégrante du tissu social, culturel et économique du pays. La domination culturelle des films américains préoccupant de nombreuses couches de population amena le gouvernement à y répondre par la loi sur les films de 1927. Même si cette loi permit une croissance rapide d’une industrie domestique du film dans les années 1930, la Grande-Bretagne ne fut jamais en mesure de concurrencer l’influence d’Hollywood et la loi fut considérée jusque récemment comme un échec. Dans les années 1940, la politique britannique se souciait peu du développement d’une industrie du film qui rivalise avec Hollywood et cherchait simplement à faciliter un flux régulier de films américains dans le pays sans ruiner le Trésor. En fin de compte, la domination américaine dans cette industrie culturelle fut acceptée.

AUTHOR

PETER MISKELL

University of Reading
Pushing back Hollywood: the impact of protection on the British film industry during the 1930s

John Sedgwick

1 The Cinematograph Act of 1927 progressively tilted access to the British film entertainment market in favour of domestic producers during the next decade. By requiring distributors and exhibitors to take a rising quota of British productions, the legislation changed at a stroke the risk environment under which films were made. Although it led to the production of a volume of cheaply made films - most of which were of poor quality, and collectively known as 'quota quickies', made for the most part by a plethora of short-lived companies - the principal effect of the legislation was to encourage indigenous investment in British production, manifest in the emergence of a small number of domestic quality producers. The latter transformed film production in Britain from a moribund State in the mid-1920s to a level of activity, a decade later, such that approximately 60 British films per annum were achieving above average box office returns. Jarvie has referred to this process as one of “pushing back” the ubiquitous Hollywood product.1 With the advantage of hindsight it is clear that the rapid advance made by British production was not sustained in the late 1930s. In particular the size of the domestic market was not sufficient to enable domestic producers to recoup the considerable production costs necessary to compete with the top end of the Hollywood product: such films had also to sell well in the US market.2 The reduction of risks occasioned by the 1927 legislation was not in the end sufficient to outweigh those associated with hit production. Its replacement, the Cinematograph Act of 1938, encouraged American big budget production in Britain at the expense of indigenous production. Nevertheless, investment in the industry made during the 1930s meant that an infrastructure of human and physical investment was in place come the Second World War, which enabled the production side to generate, and allowed audiences to appreciate, a body of British films over the next ten years, commonly referred to as the ‘Golden Age’ of British cinema.
analytical framework

Before giving a detailed account of how the Quota worked in Britain during the 1930s and its effects upon the production and consumption of films, it is important to be clear concerning the analytical framework to be employed. Carroll has given the following functional definition of mass art work:

\[
\begin{align*}
    x & \text{ is a mass artwork if, and only if,} \\
    & 1. \ x \text{ is a multiple instance or type artwork,} \\
    & 2. \text{ produced and distributed by a mass technology,} \\
    & 3. \text{ which artwork is intentionally} \\
    & \text{designed to gravitate in its structural choices (for example, its narrative forms,} \\
    & \text{symbolism, intended affect, and even its content) toward those choices that} \\
    & \text{promise accessibility with minimum effort, virtually on first contact, for the largest} \\
    & \text{number of untutored (or relatively untutored) audiences.}\n\end{align*}
\]

Carroll’s work is important because it provides a means of formally distinguishing between avant-garde, popular and mass art. For Carroll, accessibility is the key to reception. He writes that mass art “is made with the intention that it be assimilated with minimum effort” (p. 35) but which none-the-less requires that audiences are actively engaged in interpreting “narrative meaning” (p. 45). Drawing on the work of Walter Benjamin, Carroll goes on to argue that mass artworks are made possible by technologies of production and distribution “capable of delivering multiple instances or tokens of mass artworks” (p. 188) to “populations that are mass in that they cross national, class, religious, political, ethnic, racial and gender boundaries” (p. 185).

Film as a commodity corresponds exactly to the criteria laid down by Caroll, but to understand how it does so requires an exploration of the ontological characteristics that distinguish film as a commodity from other commodity types, including other mass art commodities. I identify five. These are:

- the non-diminishable, indivisible, indefinitely enlargeable, infinitely reproducible, but excludable nature of the film image.
- the slow physical deterioration of the means of producing the film image.
- the rapidity with which pleasure derived from consumption declines relative to the anticipation of new pleasures
- rapidly diminishing marginal utility.
- uniqueness.
- the dedicated expenditure of time and attention on the part of consumers which could be put to alternative uses.

Between them these characteristics have given substance to a System of popular film provision that evolved during the Twentieth Century and from which a series of analytical propositions can be made.

1. Film as a commodity has two aspects. Firstly, as the material subject of the supply-side transactions between producers, distributors and exhibitors that occur as a result of the negotiated contractual rights to handle and screen the strips of celluloid that make up a film print. Secondly, as the immaterial subject of the manifold transactions between exhibitors and audiences by which the latter purchase the right to view the audio-visual images made possible by the mechanical process of the projection of the film print. These are illustrated in Figure 1.

2. Producers, distributors and exhibitors are rent-seekers. They are motivated by the prospect of earning net receipts over and above the minimum necessary to keep them in the business. Furthermore, they are engaged in a zero-sum game whereby the gains of one party are at the expense of the other(s).

3. Consumers are utility-seekers. They go to the cinema with the expectation of receiving pleasure, however defined, but it is only after the experience that they can know how much
pleasure they have enjoyed. Hence, whilst audiences choose between films, preferring the
prospect of higher quality, this choice is made under conditions of uncertainty.
Consumption entails entering into a discovery process.

4. The uncertainty experienced by filmgoers is necessarily shared by producers, distributors
and exhibitors since they cannot know exactly ex ante the extent to which audiences will be
pleased by the films they make and handle.

Figure 1: Production and Consumption Relations

Consider a film industry in which there are no vertical links so that producers,
distributors and exhibitors are independent of one another. Further, assume that the
contractual relationship between producer and distributor is such that distributor
possesses the exclusive distribution rights to a film commodity for a particular territory.
In that territory let there be a large number of cinemas, each of which is independently
owned, and a small number of distributors. Finally, suppose that the price charged by any
single cinema is invariant between films: that is, admission prices do not respond to
levels of popularity. Under these conditions it is likely that distributors will hold
monopoly power advantages over an exhibitor as a result of asymmetries in the industrial
centration of the two sectors of the supply chain, leading to a long run equilibrium in
which exhibitors earn normal profits only. These relations between distributor and
exhibitor are described by equations 1) and 2):

1) \[ R_t = \beta R_t + F_t \]

2) \[ \beta_{it} = \frac{R_t - F_t}{R_t} \]

Where, 0<\( \beta \)<1.

The revenue \( R_t \) generated at the box-office for the \( ith \) film in time period \( t \) (typically one
week) is shared between the exhibitor and the distributor. Let \( F_t \) be the exhibitor’s fixed
costs, including a normal profit margin, and assume that are no marginal costs associated
with exhibition: in this particular game the incentive for the exhibitor to show films that
are more, rather than less, popular is derived from the sale of concession/confectionery
goods. The share absorbed by the distributor is the residual. Given \( F_t \), this can be
expressed as \( \$R_{it} \) since it varies proportionately with revenue. It is clear from equation 2
that the greater the popularity of film \( i \), the higher the value of \( \$ \) and the greater the
incentive for the distributor to diffuse it widely. \$ thus represents the price at which distributors contract with exhibitors. It is a price that reflects the scarcity value of a film, conceived of solely in terms of the demand for it.\textsuperscript{6}

These relations are illustrated in Figure 2 in which the box-office revenues of two films are \(R^1\) and \(R^2\) respectively, leading to differing distributor rental prices of \(\$^1\) and \(\$^2\). The depiction of the exhibition sector of the industry as a set of independent suppliers of film images does not allow for the horizontal combination of cinemas in the form of chains and with this the practice of monopsonic buying. It further fails to recognise the existence of vertical links backwards to the points of production and distribution. Both of these factors are likely to affect the power relations between agents in the market and lead to a game in which those exhibitors which are horizontally and/or horizontally and vertically integrated are able to negotiate contracts with distributors that allow them some share of the box-office over and above a fixed payment. In such cases the value of \$ will be lower than it otherwise would have been. The array of forces in this market suggest the likelihood of a Nash equilibrium in which the primary factors affecting the relative bargaining position of the two parties given exclusive distribution rights are: a) the anticipated popularity of the principal film attraction; b) the box-office potential of any particular cinema; c) the temporal proximity to the film’s release date; and d) the horizontal and vertical relations associated with each cinema.

Figure 2: The Rental Price of Films

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**the british market and the 1927 quota**

The British market for film entertainment was in size second only to that of the US during the 1930s. It was the dominant paid-for leisure activity in Britain, as in the US,
with close to one billion admissions annually throughout the 1930s. Rowson estimated that there were 4,305 cinemas wired for Sound in Britain in 1934 with the figure rising to 5,000 by the end of the decade. With the emergence of sound technology in the late 1920s - making English language films less accessible in non-English-speaking markets - coupled with the gradual loss of market share in Germany following the accession of Hitler and the Nazi Party in Germany in 1933, the British market became evermore important to Hollywood producers as the decade wore on. Accordingly, British protection legislation was taken very seriously by the American producers, through their trade organisation - the MPPDA (Motion Picture Producers and Distributors of America) - and the US State Department. Hollywood film finances show that the principal studios covered their production and distribution costs in the North American market and relied on the rest of the world, primarily meaning Britain, for their profits.

The market for films in Britain at the time of the 1927 Act was dominated by the Hollywood product to the extent that those indigenous productions that attracted popular attention from audiences were something of a rarity. Since the late teens the principal Hollywood studios had put into place an in-house distribution network that was global in reach. In Britain they formed the core of the distributors' trade association (the Kinematograph Renters' Society) and through it assertively pursued collusive practices, leading to conflict with the Cinematograph Exhibitors' Association and the threat of withdrawal of supply on several occasions during the 1930s. For their major film attractions the KRS members typically negotiated rental agreements that absorbed between 25 to 60 per cent of exhibitors' box-office gross on the basis of anticipated popularity.

The System of distribution in Britain, as in the US, was based on price discriminatory practices whereby films were diffused, in a cascade-like pattern, through time and space from higher order to lower order cinemas, allowing distributors to maximise revenues. Bands between geographic districts and between subsequent run cinemas within a locality were sealed through temporal and spatial zoning practices. In this way, films that were popular with local audiences appeared time and again in the cinemas of a locality. For example, in Bolton in 1934 the popular British film *Good Companions* (Gaumont British, 1933) starring Jessie Matthews played on nine separate occasions at nine different cinemas during the four months following its premier in the town, filtering down during that period from first to fifth-run cinemas.

Film was sufficiently popular and well supplied in Britain to give urban audiences considerable choice. In the comparably sized towns of Bolton and Brighton, each with a population of approximately 180,000, audiences had 20 cinemas, each with a different programme, from which to make their choices. Although habitual cinemagoing was common, regular and occasional cinemagoers typically chose between programmes on the basis of the anticipated pleasures. Indeed, the market for film may be seen as a prototype vertically differentiated mass market in which consumers assessed products on the basis of perceived quality, serviced by a distribution mechanism that was able to supply particular films to local markets anywhere in response to an effective demand for them.

The 1927 Act stipulated that distributors and exhibitors operating in the domestic market should handle a growing proportion of British films, measured in footage and foot-screenings respectively, rising to a ceiling of 20 per cent by 1936. The legislation was passed at a time when Britain was still a free trade nation and indicates the concern on the part of leading figures in the British establishment that the absence of an indigenous
film industry endangered the distinctiveness of the British way of life. Dickinson and Street have written:

Although the Films Act was formulated in a context of heightened official awareness and concern about the propaganda of film and its general importance in national life, the mechanism adopted to combat the ‘Hollywood invasion’ was not really appropriate as a means of establishing a British film industry which would be independent of American economic and cultural influence.17

In devising legislation to encourage the production of British films the Board of Trade officials were acting in line with the largely non-interventionist stance of the British State in matters of industry and commerce. Although this policy may not have produced the culturally distinctive films that Dickinson and Street perhaps wished for, it certainly did produce films; domestic production expanded from 96 in the 1929-30 season to 228 in 1937-38.18 By being defined in terms of quantity control, rather than price control through a tariff, the film quota in effect sealed for indigenous producers an incrementally expanding section of the slowly expanding domestic market. Furthermore, this was done without directly injuring exhibitors, as would have happened in the case of a tariff.19 However, the protected environment established by the legislation applied only to the supply side of the industry outside of production; namely distribution and exhibition, but not to consumption. Accordingly, whilst exhibitors were compelled to take a rising proportion of indigenous films over time, customers enjoyed a growing choice over what to watch.20 On the basis that: a) audiences preferred high to low quality films - they were able to vertically differentiate films; b) the price of admission to any cinema was invariant between films; and c) the choice between programmes at similar prices was widespread, so that any British film exhibited in an urban locality would be competing directly against industry standard products emanating from the studios that collectively made up Hollywood, exhibitors would have lost revenue had the quota of British films screened been less popular on average with audiences than the Hollywood alternatives foregone.

From these premises it is clear that British producers, if they were to succeed, needed to make films which were popular with domestic audiences: they had to attract audiences from alternative uses of their time, including watching Hollywood films. The quota, with its built-in expansion factor served to encourage British producers to make the investments necessary to this end.21 The demand for successful British films was enhanced by the legislation: since all exhibitors were compelled to show an increasing number of British films it follows that they would wish to show those that competed successfully with rival cinema programmes within any locality. Given the value of the assets tied up in cinema real estate, this became a commercial imperative for the two British vertically integrated combines - Gaumont British (GB) and Associated British Picture Corporation (ABPC)22 - which emerged in the wake of the 1927 legislation, spurring them into large scale film production.

Undoubtedly, protection legislation led to the production of many very poor quality British films by firms whose life span was short and whose product was typically made for the distribution wings of the principal Hollywood studios for quota fulfilment purposes only. When coupled with: a) the crises in domestic production in 1936-38, caused by the retraction of the production plans of the leading British studios and the growth in the speculative financing of film production; and b) the sheer quality and quantity of Hollywood studio output, the orthodox view put by historians is that the 1927 legislation was poorly conceived and encouraged volume rather than quality.23 In revising
this argument it needs to be shown that significant numbers of British films and the stars who appeared in them were genuinely popular with British audiences. Further, it is argued that in the absence of the 1927 legislation doubt must be expressed as to how much of the body of work that goes to make up British Cinema in the 1930s would have been made. It is further argued that tastes were not uniform in the British market, and that distinctive patterns of film going preferences can be detected across region and social class.

**popstat- measure of film popularity**

Information concerning the box-office performance of films distributed in Britain during this period is extremely thin. In order to establish a proxy measure of what audiences paid to watch, an index of film popularity (POPSAT) has been constructed from the programmes of a sample of 90 leading London West End and provincial city cinemas of Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle, and Sheffield for the period 1 January 1932 to 31 December 1937. The popularity of each film is given as:

\[
POPSAT_{it} = \sum_{t=1}^{n} a_{jt} \times b_{ijt} \times l_{ijt}
\]

where,
- POPSAT = Popularity Statistic,
- \( t = \) exhibition period
- \( i = \) ith film
- \( j = \) jth cinema
- \( n = \) number of cinemas in the sample set
- \( a = \) the box-office weighting of each cinema around a mean value of 1.0
- \( b = \) the weighting of the exhibition status where 0.5 represents a shared and 1.0 a single billing
- \( l = \) the length of exhibition at each cinema in weeks and half-weeks

Table 1 summarises the performance of the leading Hollywood and British production studios derived from the diffusion of films within the sample of cinemas. It is apparent that the market shares are quite widely dispersed, with only Paramount, MGM and Warners achieving more than a 10 per cent share of the domestic market. Together the 13 British and American production studios absorbed approximately 80 per cent share of market demand, but, the scale of Hollywood production was such that the output of its major studios was two to three times that of the largest British concerns. Indeed British studios account for only one third of domestic production which helps to explain the concern over 'quota quickies'. However, this needs to be tempered by the fact that two thirds of the 25 per cent share of the domestic market taken by British producers is attributable to the same companies. Accordingly, the mean POPSAT of the British studios is almost twice that of all British producers, and interestingly exceeds that calculated for Hollywood Studios. Perhaps the most significant performance on view is that of the Gaumont British organisation, of which Michael Balcon was production chief until late 1936. Not only is its mean POPSAT considerably higher than that of any other
volume producer but also the number of Top 50 and Top 100 successes marks it out ahead of all Hollywood studios other than Paramount and MGM. In 1934 and 1935 Gaumont British put out 21 and 22 films respectively with mean POPSTAT scores of over 17. Its success in the domestic market led the organisation into a serious attempt to penetrate the American market from late 1934-1936 in an effort to significantly improve the box office performance of its major productions.26 In contrast, the films of British International Pictures - the production wing of ABPC - performed less well, the consequence of a more limited strategy of producing low to medium budget films designed for the greater part to occupy the lower half of double bill cinema programmes.

27 Goldwyn in the US and Alexander Korda’s London Films in Britain can be classified as low volume hit producers, concentrating on the production of a relatively small number of big budget productions during any season. Over the six years of the sample, British producers were responsible for 167 Top 100 films, 96 of which were placed in the Top 50 rankings.

Table 1. Market shares in the British market, 1932-37

<table>
<thead>
<tr>
<th>Production Studio</th>
<th>Films Released</th>
<th>Aggregate POPSTAT</th>
<th>Supply Share (per cent)</th>
<th>Market Share (per cent)</th>
<th>Mean POPSTAT (co1/co2)</th>
<th>Top 50 Productions</th>
<th>Top 100 Productions</th>
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<tr>
<td>Hollywood A Studios</td>
<td>414</td>
<td>3731.8</td>
<td>8.7</td>
<td>14.1</td>
<td>9.0</td>
<td>33</td>
<td>103</td>
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<tr>
<td>Paramount</td>
<td>291</td>
<td>3189.3</td>
<td>6.1</td>
<td>12.1</td>
<td>11.0</td>
<td>55</td>
<td>97</td>
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<tr>
<td>MGM</td>
<td>389</td>
<td>2687.3</td>
<td>8.0</td>
<td>16.2</td>
<td>7.1</td>
<td>18</td>
<td>53</td>
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<tr>
<td>Warners/FNP</td>
<td>340</td>
<td>1907.3</td>
<td>7.2</td>
<td>7.2</td>
<td>5.6</td>
<td>16</td>
<td>33</td>
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<tr>
<td>RKO</td>
<td>311</td>
<td>2344.8</td>
<td>6.7</td>
<td>8.9</td>
<td>7.4</td>
<td>21</td>
<td>49</td>
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<tr>
<td>Fox/20th-Cent Fox</td>
<td>302</td>
<td>1538.2</td>
<td>6.4</td>
<td>5.9</td>
<td>5.2</td>
<td>12</td>
<td>19</td>
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<td>Columbia</td>
<td>245</td>
<td>1100.8</td>
<td>5.1</td>
<td>4.2</td>
<td>4.5</td>
<td>8</td>
<td>12</td>
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<td>Goldwyn</td>
<td>27</td>
<td>588.0</td>
<td>0.6</td>
<td>2.2</td>
<td>21.8</td>
<td>13</td>
<td>20</td>
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<tr>
<td>Total Hollywood A</td>
<td>2316</td>
<td>17109.0</td>
<td>48.8</td>
<td>64.8</td>
<td>7.4</td>
<td>176</td>
<td>386</td>
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<tr>
<td>All Hollywood &amp;</td>
<td>3220</td>
<td>19562.1</td>
<td>68.0</td>
<td>74.1</td>
<td>6.1</td>
<td>209</td>
<td>427</td>
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<table>
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<th>British A Studios</th>
<th>Films Released</th>
<th>Aggregate POPSTAT</th>
<th>Supply Share (per cent)</th>
<th>Market Share (per cent)</th>
<th>Mean POPSTAT (co1/co2)</th>
<th>Top 50 Productions</th>
<th>Top 100 Productions</th>
</tr>
</thead>
<tbody>
<tr>
<td>GB/Gainsborough</td>
<td>121</td>
<td>1843.0</td>
<td>2.6</td>
<td>7.0</td>
<td>15.2</td>
<td>48</td>
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<td>UIP</td>
<td>131</td>
<td>750.1</td>
<td>2.8</td>
<td>2.8</td>
<td>5.7</td>
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<td>13</td>
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<tr>
<td>B&amp;D</td>
<td>106</td>
<td>695.1</td>
<td>2.2</td>
<td>2.6</td>
<td>6.6</td>
<td>16</td>
<td>22</td>
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<tr>
<td>London Films</td>
<td>32</td>
<td>608.3</td>
<td>0.7</td>
<td>2.3</td>
<td>19.0</td>
<td>14</td>
<td>20</td>
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<tr>
<td>ATP</td>
<td>1296</td>
<td>6489.9</td>
<td>27.3</td>
<td>24.6</td>
<td>5.0</td>
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<td>167</td>
</tr>
<tr>
<td>Total British A</td>
<td>418</td>
<td>4104.0</td>
<td>8.8</td>
<td>15.6</td>
<td>9.8</td>
<td>84</td>
<td>137</td>
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<tr>
<td>All British</td>
<td>1296</td>
<td>6489.9</td>
<td>27.3</td>
<td>24.6</td>
<td>5.0</td>
<td>96</td>
<td>167</td>
</tr>
<tr>
<td>All Films</td>
<td>4748</td>
<td>26386.3</td>
<td>100.0</td>
<td>100.0</td>
<td>5.6</td>
<td>300</td>
<td>600</td>
</tr>
</tbody>
</table>

NOTES: Col. 3 measures the supply share of films registered with the Board of Trade, whereas Col. 4 measures the demand share as measured by POPSTAT

4 Warners merged with First National Pictures during the 1929-30 season. The two trade names were used to market the products of the studio during the 1930s.

5 Includes the films of Fox and 20th Century Fox. Fox merged with 20th Century to become 20th Century Fox in 1935.

6 The largest quota producers were Warners British (102 films with a mean POPSTAT of 2.21, Real Art (45 films with a mean POPSTAT of 2.92) and Fox British (52 films with a mean POPSTAT of 1.0)

Sources. Kine Weekly, local evening newspapers.
In extending the study of film popularity to the large English towns of Bolton and Brighton the findings of the national survey of higher level cinemas are broadly confirmed, albeit with some distinctive regional variations. The national survey might be taken to represent middle-class British cinemagoing in that the admission prices of these cinemas are significantly greater than the 10.25d mean price, estimated by Rowson, for all admissions (903 million) into British cinemas in 1934. This was particularly true of London West End cinemas, where prices were as high as 1 l/6d for a top price admission. In contrast, the Bolton and Brighton surveys include all cinemas in the two towns, making it possible to monitor the exhibition progress of all films as they trickled down from higher to lower level cinemas as part of the wider cascade system of distribution and exhibition. Although the two town surveys may be described as regional, in that they reflect a complete micro-system of distribution and exhibition within a locality with a strong sense of local and regional identity, the fact that they monitor films exhibited at each level in this distribution chain also provides evidence of working-class preferences when compared with the results from the national survey. These outcomes confirm Richards' view, based upon the Worktown Mass-Observation Study, that distinct regional and social class film preferences existed in Britain during the period, themselves reflecting differences in lifestyle expectation and aspiration. He writes:

The evidence from Bolton suggests that Lancashire and national taste in the 1930s were in close alignment, that cinema was in fact nationalising taste and outlook and attitude. It remains true nevertheless that gender and regional identities could be maintained within an overall national identity and the most popular stars achieved their popularity by appealing to all of these multiple identities.

Conclusion

This evidence was a problem for British film entrepreneurs. As a general rule the size of the British market was not sufficiently large to enable big budget productions films to recoup their costs solely from domestic distribution. Yet expensive productions, popular in the upper reaches of the cinema hierarchy, were not always as successful in lower order cinemas, whilst films with strong regional/working-class appeal were unlikely to receive extended runs in box-office rich cinemas. Ultimately the intention of every popular filmmaker is to produce hits that transcend the heterogeneous nature of film audiences both at home and abroad. For its principal producers the history of film making in Britain during the 1930s can be characterised as an exercise in understanding the nature of the market for films. In contrast “Hollywood and its pictures... set the standard for what was required to make really big money”, with the national and regional surveys reflecting the dominance of the Hollywood product in British cinemas and the esteem in which so many of its stars were held by the British people. Although Gaumont British between 1934 and 1936, and London Films from 1933 onwards, adopted the strategy of producing films which they hoped would prove attractive to the American market, the bulk of British production was targeted at the domestic market. The Cinematograph Act of 1927 made that activity less risky than otherwise would have been the case and hence, in part, can be held responsible for a body of films which make-up a national cinema for the period as well as a stock of human and physical capital which constitute the industry from which those films were derived.
Although not a major economic activity in 1930s Britain, cinemagoing was the dominant form of entertainment measured by paid admissions, absorbing approximately two-thirds of all entertainment expenditure.\textsuperscript{36} Its significance is, accordingly, not to be found in national income statistics but rather in the lifestyle of the people and their domains of pleasure. Rowson has shown that cinemagoing was universally popular throughout Britain, particularly amongst the urban city population.\textsuperscript{37} Popular film is an early example of a heterogeneous mass distributed commodity about which regular filmgoers made choices on the basis of quality. Given invariant prices and a cascade-like System of distribution/exhibition, which ensured that popular films returned time and again to a locality following general release, audiences were not required to pay more for their preferences. The consequence of this was that the most popular films played to fuller houses, on single billed programmes, for longer periods. It was not sufficient for British films to be made and to be shown as specified by the legislation. They needed to be popular with audiences if distributors and exhibitors were not to be financially damaged. The evidence presented here, derived from the POPSTAT methodology, was that British film entrepreneurs made significatif inroads into the domestic market during the 1930s, ‘pushing back the Hollywood product for a period during the middle years of the decade. The Quota legislation was critical to this process in that it stimulated British entrepreneurs to produce films on an industrial basis by ameliorating the risks ex ante that they faced. However, the legislation only privileged British entrepreneurs ex post if they were able to produce films that were sought out by audiences in sufficient numbers so as to make them popular. In making such films - Table 1 shows that 96 of the 300 top 50 films released between 1932 and 1937 were made by British production companies - on a systematic basis during the 1930s, a body of work came into being which was culturally distinctive from the Hollywood product, even though the latter continued to set the standards of popular entertainment.

BIBLIOGRAPHY


Departmental Committee appointed by the Board of Trade to consider the Position of British Films 1936. Minutes of Evidence, London, HMSO.


NOTES


4. A fuller account of the ontology of film as a commodity can be found in J. SEDGWICK, “The Nature of Popular Film as a Commodity: the Diffusion of Film in Britain during the mid1930s”, Homo Oeconomicus, 17, 2001, p. 427-40.


6. It is quite simple to make the equations more complex reflecting more the detailed composition of the contract between exhibitors and distributors. For instance, the exhibitor is likely to have some bargaining power, especially in the case of horizontally integrated chains of cinemas, and hence would expect some share of box-office revenue. In practice this will is
considerable lower than the distributor’s share and hence does not detract from the main point that $ will increase directly with box-office revenue. See A. De Vany and W. Walls, “Bose-Einstein Dynamics and Adaptive Contracting in the Motion Picture Industry” Economic Journal, 106, 1996, p.1493-1514.


9. Film Daily Yearbooks and Motion Picture Almanacs for the period. The same source counted the number of wired for sound cinemas in Germany, with its much bigger population, rising from 4,000 to 5,395 between 1934-38, whilst the numbers in the US actually fell from 19,000 to 16,228. However, the size of German cinemas appears to have been much smaller, with another source listing their combined seating capacity as 2,100,000 in 1937, compared with 3,200,000 in Britain. This information is usefully collected in L. Woods, (ed.), British Films 1927-1939, London, BFI, 1986, p. 28-130.

10. S. Rowson, “Value of Remittances Abroad for Cinematograph Films”, Journal of the Royal Statistical Society; 97, 1934, p. 588-611, estimated box office receipts in Britain to be in the order of £40 million in 1934. This compares with Film Daily Yearbook/Motion Picture Almanac comparable estimates for the US of $518 million. Using the exchange rate of $4.5 = £1 it would appear that the British market for films was approximately one third the size of the American market. See N. Dimsdale, “British Monetary Policy and the Exchange Rate” Oxford Economic Papers, 33, 1981, p. 306-49.


12. The parent organisation of each of the principal Hollywood producers - MGM, Paramount, Warners, Fox (20th century Fox from 1935), RKO, Columbia and Universal - controlled the distribution of their film products, negotiating contracts with exhibitors which guaranteed a lump sum payment together with a proportion of the gross. The latter, in effect constituted the film’s price, and ranged typically from 25-60% of the box-office depending on any single film’s anticipated appeal to a potential cinema audience. Minutes of Evidence taken before the Departmental Committee appointed by the Board of Trade to consider the Position of British Films, London, HMSO, paragraph 57, p.9. Also see R. Low, Film Making in 1930s Britain, London, Allen and Unwin, 1985, on industry arrangements.

13. Higher order cinemas showed films earlier, charged higher prices and offered greater standards of comfort to audiences than lower order cinemas.


19. With the exception of perfectly inelastic demand conditions, a tariff induced price increase would have reduced demand and hence the box office revenue net of the tariff.


21. i.e. between 1928 and 1935-6 the area of stage floor space in Britain increased by a factor of 7.5, from 105,211 to 769,557 square feet. See Sedgwick 2000: 243-245.
22. The films of Gaumont British were either marketed under the same name or as Gainsborough Pictures whilst those of Associated British Picture Corporation, were traded under the name of British International Pictures. The commercial histories of the two organisations can be found in LOW 1985.


24. These cinemas and their programmes were listed weekly in the trade journal, Kim Weekly. The cinemas make up almost a complete set of 'upper level' venues in the named cities. I was only able to find six additional cinemas whose mid-range price was above 3/- in London, or 1/6d in the provincial cities. Missing records were made up from the advertisements found in appropriate city evening newspapers.

25. The weight for each cinema is given by its potential gross box office revenue, obtained by multiplying its mid-range price by the number of seats, and expressed as a proportion of the mean potential box office revenue of the sample cinema set. Hence the weights reflect the relative commercial status of each cinema, with the box office revenue capacity of the Empire, Leicester Square, for example, being twice that of the Davis cinema, Croydon, four times that of the Piccadilly, Manchester and eight times that of the Regent, Glasgow.

26. For a detailed account of this venture, see SEDGWICK 2000: ch. 10.


29. BROWNING and SORRELL, 1954, scaled down Rowson’s 1936 estimation of 963 million.


33. See SEDGWICK 2000: ch. 11.


35. JARVIE 1992:143.


37. ROWSON 1936: table x.

ABSTRACTS

En réponse à la domination écrasante du marché par les studios principaux d Hollywood, la Cinematograph Act promulguée en 1927 par le gouvernement britannique transforma l’environnement des risques des producteurs indigènes. Elle l’effectua en réservant pour eux
exclusivement une part croissante du marché intérieur au moyen d’un système de quotas de distribution et de présentation qui augmentèrent en plusieurs étapes jusqu’à 20 per cent du temps de projection en 1936. Tout en faisant du bien à l’ensemble des producteurs britanniques, la loi laissa aux tendances du marché le soin de préciser les films à être faits et projetés. En raison de : a) l’omniprésence et la qualité du produit américain, et b) le grand choix entre les programmes des salles disponible aux citadins, les films britannique eut besoin d’être aussi populaire que ceux qui provenaient d’Hollywood pour éviter l’endommagement financier chez les distributeurs et les exploitants. Cette recherche présente une nouvelle méthode d’évaluer la popularité de films (POPSTAT) faute de l’information sur les recettes de guichet. Elle a découvert qu’il n’était pas seulement que le nombre de films britannique a augmenté, il est aussi qu’un grand nombre de ceux-ci était vraiment populaire chez le public britannique.

AUTHOR

JOHN SEDGWICK

University of North London
"Hollywood and nothing else?"

The Americanisation of the German film industry in the Weimar Republic

Hans-Joachim Braun

Introduction

1 In German intellectual circles of the 1920s the fear of US 'cultural imperialism' was widespread. Hollywood cinema came to be regarded as soulless, artistically childish and uncritical. But with its economies of scale, capital intensive technologies, standardization, skill in creating and marketing 'stars', with its movie palaces and successful public relations campaigns it slowly conquered the German market.¹

2 How did this happen? How did the German film industry react to the 'American threat'? Did, on the other hand, German films play a significant role in the United States? Did the US attempt to conquer the German market result in a complete US victory? What was the relationship between culture, business and technology in the German and US film industries and was there any interaction between Germany and America? These are the main issues to be debated in this chapter.

Berlin and Hollywood: comparisons

3 As in the United States and in Western Europe, cinema in Germany became increasingly popular during the first decades of the Twentieth Century. In 1910 there were approximately 1,000 theatres in the Reich; two years later their number had increased to 1,500. At the outbreak of the First World War the number was 2,466, in the first year of peace 2,836. In line with this, the size of the film theatres grew rapidly.² In 1910 Berlin had over 2 million inhabitants, in 1925 the figure was around 2.5 million. In 1921 there were 418 cinemas in Berlin with a total of 148,00 seats. Although the number of cinemas had decreased to 358 by 1932, the number of seats had increased to about 189,000 owing to the growth of large cinemas with a capacity of more than 1,000 seats like the 'Ufa Palace at the Zoo', the 'Capitol' or the 'Titania Palace'. Their expansion caused many
smaller cinemas to close down. The annual number of visits to Berlin cinemas oscillated between 40 and 60 million; in 1928 there were about 60 million visits to Berlin cinemas, whereas the total for Germany was about 350 million.\footnote{3}

Regarding the organisation of the German film industry, the foundation of the UFA concern stands out. In 1917 a combination of private companies and State interests founded the Universum Film AG, better known as UFA, which soon grew into a firm with the largest and best-equipped studios in Europe. The main purpose for the State support of UFA was boosting public morale at the end of the First World War. After the war UFA was privatised and sold to companies like Ivrupp, Deutsche Bank and BASF.\footnote{4} Similar to the large companies in the United States, UFA set up its own distribution network, an important move, since control over distribution was the key to determining the nature of the product.\footnote{5}

Germany emerged from the First World War with a relatively strong film industry and, to a large extent, resisted an American takeover of its market for several years. During the war the German Reich had imposed an embargo against films from the West, but several films made their way into Germany via neutral countries. The embargo was extended until May 1920. To prevent US films from flooding in, Germany implemented quotas on film imports on 1 January 1921. Its terms permitted the import of a set amount of films each year equal to 15 per cent of the negative footage produced in Germany in 1919. As it happened, however, the German film industry did not take these stipulations too seriously: to suit marked needs, considerably more films were apparently granted import licences.\footnote{6}

There was no doubt that Hollywood played the main role in the world film market. It was in the lead with its feature films, its movie palaces, its chain store distribution System and its public relations campaigns. Hollywood companies strove at monopolizing control over production distribution as well as over exhibition and equipment manufacture. During the First World War the number of American films going abroad had paralleled the size of exports in other goods, particularly armaments. American businessmen soon realized the enormous advertising potential of films. Collier’s Weekly described this as follows: “consider what the American moving picture is doing in other countries. It is familiarizing South America and Africa, Asia and Europe with American habits and customs. It is educating them up to the American standard of living. It is showing them American clothes and furniture, automobiles and homes. And it is subtly but surely creating a desire for these American-made articles”.\footnote{7} Apart from the entertainment movies, the various ‘educational’ films which the US government sent abroad, were often advertising products made in America. “Trade”, this was clear to US businessmen and policymakers, “follows films”.\footnote{8} Like in Europe and particularly in Germany, the US government supported its film industry vigorously by an even more effective System of tariffs, quotas and subsidies. In this, Julius Klein’s Bureau of Foreign and Domestic Trade within the Department of Commerce played the main role.

In the early 1920s, critics in Germany did not rate the quality of the average Hollywood movie very highly. A critic for Der Film seems to have been fairly representative in his assessment. He was of the opinion that the style and structure of American - often sensationalist - movies were so consistent that to review one meant to review them all. According to him, those movies’ components recurred again and again: a very elementary plot, some sensational physical stunts, frequent brawls, dynamic camera work and
breathtaking tempos. In Hollywood, the critic thought, performers were less intent on acting than on showing bravery and agility.9

8 The German avant-garde film of the early 1920s, which made the UFA famous, met with more critical acclaim in the United States than in Germany. Some American film critics praised, for example, Caligari as an artist’s film of a quality which Hollywood was unable - or unwilling - to produce. They polemized against the US film industry, which, as an American critic wrote in 1921, “made movies for underdeveloped adults at the level of nine-year olds”.10

9 Although many German critics denounced the preference of US movies as ‘cultural imperialism’, several of them did admit that there were some assets of Hollywood films which made them attractive even to viewers with sophisticated tastes. Generally, US films were superior in set design, lighting, and in editing. Acting seemed to be more natural and the narrative more compelling.11

10 At the end of First World War many German intellectuals perceived US mass culture as a modern culture of the people, meeting the needs and expectations of the major part of the urban population. Several members of intellectual and critic avant-garde circles in Berlin regarded American mass culture with Charlie Chaplin, the US cinema in general, Jazz, Charleston, boxing, and other spectator sports. To follow it, meant to be ‘modern’, up-to-date, ‘with it’. In an article published in 1921, the German critic Hans Siemsen alluded to this democratising impulse of US culture in ironically suggesting that all those staid and pompous German politicians and professors should be obliged to occasionally dance Jazz in public. This would, in a healthy way, divest them from their dignity. “How human, how nice, how funny would they all become. If only the Kaiser had danced Jazz! All those terrible things would never have happened!... But, alas. He would never have learned how to do it. To be German emperor is much easier than dancing Jazz”.12

11 Compared to Hollywood, European and particularly German cinema was associated with decentralist atelier shops - this did not apply to UFA - and with theatrical and dramatic conventions generally geared to the educated viewer.13 Cinema directors, technicians and actors moved back and forth between theatre and cinema, although even staunch advocates of German cinema culture had to admit that there was an uneasy conflict between big business and cultural pretensions. The keywords of German cinema aesthetics in the early 1920s were the expressionist film of Paul Wegener and Robert Wiene, the Kammerfilm (chamber play movie) of EW. Murnau, historical spectacles of Ernst Lubitsch, mythical epics of Fritz Lang and the realist work of Neue Sachlichkeit created by directors like G.W. Pabst. But one should not be mistaken: the main features of Weimar cinema were not so much ‘high art’ products linked to expressionism or Neue Sachlichkeit but works of thematic and stylistic eclecticism, some blend of kitsch, realism and expressionist elements.14

**confrontation and co-operation**

12 In the late 1910s and early 1920s, Germany, with its film companies and production and distribution facilities, profited significantly from inflation, exporting films in great quantities. In late 1920 the US company First National successfully released Ernst
Lubitsch’s *Madame Dubarry*, retitled *Passion*. When Hollywood introduced more German films like *Deception* (Lubitsch’s *Anna Boleyn*) or Wiene’s *The Cabinet of Dr. Caligary* into the US, several American film producers already sensed a ‘German invasion’. But the alarm in the United States was unfounded and there was no doubt that the US film industry was still considerable stronger than its German counterpart.\(^{15}\)

American private and governmental measures contributed to continuing this state. Adolph Zukor, one of the most prominent film producers in Hollywood, admitted that he had bought at least twenty-five German films in order to keep them from the US market, also in part to prevent endangering the marketing success of his own stars like Pola Negri.\(^{16}\) From the films imported from Germany only a few made it into the American cinemas. If that happened, as was the case with *Dr. Caligari* in April 1921 or Wegener’s *Der Golem* in June of the same year, they were mainly shown in small ‘art houses’. Other German films were less successful commercially. The US magazine *Variety* pointed out the reason: “it is a curious fact about many German pictures. They deal with great stories but have no romance, being entirely of men”.\(^{17}\) The film critic of the *New York Times* held a similar view. Under the reassuring headline “Don’t Fear German Films” he wrote:

> In Germany many of the important films are too gruesome for the American public. The addresses who appear in many of the films are not young and beautiful enough to satisfy Americans. German filmmakers are producing many cubist effects. Some of these films are skilfully done, but they are generally gloomy and not of a character which Americans demand.\(^{18}\)

But US confrontation and rivalry with Germany had its limits; Paramount’s ‘Famous Players’ Company tried cooperation as well. On 17 April 1921 they and some representatives of UFA founded a German-American film company called EFA (‘European Film Alliance’). This firm was based in Berlin, built studios for production and also set up a network for distributing films and showing them in cinemas. There were several reasons for establishing EFA: ‘Famous Players’ hoped to slowly adopt a leading role in the Central European market, whereas the German interest was to facilitate its access to the international market, particularly to the United States. Evading the German import quota on films was one of ‘Famous Players’ main objectives. Films produced by EFA in Berlin counted as German films and were, moreover, considerably cheaper than those made in Hollywood.\(^{19}\) However, not much came out of the EFA venture. There was constant tension and quarrels over business strategy between the American and German partners. In November 1922 the company was dissolved, having produced only five films which, being ‘not American enough’, did not succeed in the US market. A German critic summed the problem up in one sentence: “EFA failed, because it was a ‘bastard between Madame Dubarry and the exchange rate’”.\(^{20}\)

### making inroads into Germany: the Parufamet Treaty

Once the currency reform was introduced in November 1923, German industry underwent a crisis, due to its declining exports and losses of other inflation-period advantages. The new currency allowed importers to buy foreign films at lower cost and imports took over a larger share of the market.\(^{21}\) This meant that Germany was increasingly flooded with Hollywood films. Moreover, with high salaries and the promise of superior working conditions, the US film industry drew away some of Germany’s major cinema talent. Ernst Lubitsch, director of such critically acclaimed films as *Madame*
Dubarry/Passion (1919), or Anna Boleyn/Deception (1920), went to Hollywood in 1922 and in the mid-1920s some more great talents of German cinema were lured away to America: directors like Paul Leni, E.A. Dupont, F.W. Murnau and Ludwig Berger, actresses like Pola Negri and Lya de Putti, and actors like Conrad Veidt and Emil Jannings, who, in 1929, even received an Oscar. The producer Erich Pommer, to whom in the early 1920s UFA owed a large share of its artistic success, left the company in 1926 to work for Paramount. Disillusioned, however, he returned to Germany in 1928, produced masterworks like The Blue Angel (1930) and had to leave Germany after Hitler came to power in 1933. Others made their way from Hollywood to Berlin like the actress Louise Brooks or the director Josef von Sternberg, who, during his peak years 1927-35, was the undisputed great master of the American screen. So apart from keen competition, there was therefore close cooperation between Hollywood and Berlin. With the Great Depression of the late 1920s and early 1930s this interchange between Hollywood and Berlin came to an end. UFA was diversified enough not to lose its dominant position among German firms, but smaller firms specializing in production were severely hit by the export crisis. None of the film industries in Europe could survive by producing films just for their own national market.

Table 1: Number of German and American Feature Films shown in Germany, 1923-1931

<table>
<thead>
<tr>
<th>Year</th>
<th>German</th>
<th>American</th>
<th>German and American</th>
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<tbody>
<tr>
<td>1923</td>
<td>253</td>
<td>102</td>
<td>355</td>
</tr>
<tr>
<td>1924</td>
<td>220</td>
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<td>142</td>
<td>325</td>
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<tr>
<td>1930</td>
<td>146</td>
<td>80</td>
<td>226</td>
</tr>
<tr>
<td>1931</td>
<td>144</td>
<td>84</td>
<td>228</td>
</tr>
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</table>


Table 1 shows that the number of German films shown in Germany remained relatively stable until the beginning of the Great Depression and the introduction of sound films from 1929 onwards. Films became more expensive to produce. The comparatively low figure for 1926 reflects UFA’s economic problems. Between 1924, when Germany’s inflation induced advantages were over, until 1928 the number of US films released in Germany often came close to that made in Germany. During two years, 1925 and 1926, the figure was even higher. From 1929 onwards the Great Depression as well as the introduction of sound film hit American film exports to Germany severely.
Although the import of the UFA film Madame Dubarry into France had resulted in a ban because of alleged anti-French propaganda, The Cabinet of Dr. Caligari met with a friendly welcome. UFA and the French Aubert company took up negotiations which were greeted as the beginning of a new era of cooperation within Europe directed against the threat of American dominance. But the project failed mainly because of financial problems. Another project was somewhat more successful: in December 1924, shortly after the UFA-Aubert deal, the German production and distribution company Westi, founded by the firms of Wengeroff and Stinnes, established Pathé-Westi together with the renowned French Pathé company. But this venture, too, did not meet expectations. Other UFA attempts in later years like the setting up of a distribution firm with the Swedish Svenska, or the ‘Derufa’, a joint Russian German production and distribution company, were more successful.

In response to the Film Europe’ project, the US film industry took steps to protect its interests abroad. A welcome opportunity was UFA’s financial difficulties. In early 1925 UFA was in financial trouble. Failing to obtain a loan from either the State, major banks - in mid-May 1925 the Deutsche Bank, UFA’s main shareholder, had withdrawn a loan from UFA - or large private investors, it was forced to conclude an unfavourable deal with Paramount and MGM. The difficult export situation, high production costs for ambitious film projects like Metropolis and other reasons had brought UFA into trouble. The situation was worsened by the fact that rival companies and individuals like Sam Rachman who worked for Paramount and was based in Berlin spread rumours of UFA’s imminent insolvency. The Universal film company had hoped to sign an agreement with UFA but Paramount, together with MGM, proved stronger. The methods used were rough indeed. The New York Times reported that Paramount and MGM had put Universal and UFA under severe pressure by threatening to build a chain of film theatres in Germany showing their most popular films at bargain prices. According to this ‘Parufamet treaty’, UFA received a loan of 17 million Reichsmark at 7.5 per cent interest. In exchange for this, UFA joined a new distribution company, Parufamet. UFA was required to distribute twenty films annually from each of its partners and show them for a minimum of half a week in all UFA-owned cinemas. The US companies for their part agreed to distribute ten UFA films a year.

At first sight the conditions of the treaty looked fair, but a closer look reveals that it was rather unequal. The US partners had the right to re-edit, cut and title UFA films subject only to the condition that nothing be done to discredit UFA or Germany. This had no counterpart in the agreement on US films in Germany. Public reaction in Germany against the Parufamet treaty was strong; several observers even likened it to the Versailles Treaty. In the early months of 1926, the editorials of the Reichsfilmblatt voiced a harsh anti-American sentiment, denouncing UFA as a US company and charging the United States with a systematic attempt at destroying Germany’s cultural independence.

Even in German avant-garde intellectual circles which, in the early 1920s, had welcomed the democratising, progressive power of ‘cultural Americanism’, attitudes towards the United States changed in the mid-1920s. Herbert Ilhering, an influential theatre critic, who, a few years earlier, had praised mass culture and cultural modernity à la USA, became more and more sceptical and disillusioned. In 1926 he wrote about the situation in Germany: “The number of people who watch films and do not read any books goes into millions. They have all been subjected to the American taste, they have become
standardized and uniform. The American film is the new world militarism. It is approaching. It is more dangerous than Prussian militarism. It does not only devour individuals. It devours whole nations”.

After the mid-1920s, during the short period of ‘relative stabilisation’ in the Weimar Republic between 1924/25 and 1928/29, many German critics changed their predominantly positive image of American society and culture to an increasingly sceptical one. They no longer associated the United States with the positive, progressive, democratizing features of mass culture, expressed in Jazz, sports and other forms of entertainment, but with technocracy, industrial rationalization, soulless efficiency and machine-like work discipline. Sympathetic or even enthusiastic liberal and left wing writers became more and more disillusioned. After advancing the American gospel of social, political and cultural modernity and the democratization of culture they now felt that capitalism in the US film industry had completely eliminated individualism and had brought forth standardization, industrial concentration and rationalized uniformity. Siegfried Kracauer, a perceptive social scientist with a keen interest in the development of film, radically changed his positive attitude towards “Americanism” and the democratizing effects of cinema. In 1929 he criticized the Hollywood style film industry and its films for distracting the crowds of homeless white-collar workers from their appalling material condition. Instead of making them aware of their economic exploitation Hollywood offered them shallow distraction.

From a perspective of business strategy, the Parufamet treaty succeeded in weakening Hollywood’s strongest competitor. It did, however, not solve UFA’s financial problems but incited German nationalists to demand political action by German companies and the state to ward off an alleged American take-over. A leading figure in this was the nationalist Alfred Hugenberg. In early 1927 his multimedia conglomerate acquired a majority share in UFA. Apparently with help from the foreign ministry and the economics ministry it succeeded in buying out American interest. Measures to consolidate UFA’s market position by rationalizing production schedules, strengthening exports and branching out into the technical sector followed and were treated as a victory against US imperialism by nationalist-conservatives. After crisis and restructuring, growth was discernible in the German film industry by 1928. The combined interest of the dominant firms, particularly of UFA, the State and nationalist ideologues had succeeded in building a vertically integrated, strongly capitalized industrial corporation. Oriented to the large markets of central Europe it was sufficiently diversified and innovative enough to compete successfully with American cinema in the next development phase of movie history, the phase of sound feature.

sound film

The introduction of sound film introduced new conditions and problems into the relationship between Hollywood and the German film industry. In 1918 three Germans had invented a cinema sound system which they called Tri-ergon’ (the work of three). Their attempt to innovate it in the early and mid-1920s proved unsuccessful. The innovation process of cinema sound therefore started with Warner Brothers’ Vitaphone shots and with their Don Juan, released in August 1926. This was followed by the widely acclaimed The Jazz Singer in October 1927. Against the Warner Brothers’ sound system the German companies set up some sort of European alliance. In July 1928 the German
Triergon, with a method using a wider filmstrip with the soundtrack outside the sprocket holes, and the Dutch Küchenmeister company founded the Tonbild-Syndikat AG (or Tobis). Its objective was to fight the US introduction of sound film into Germany on patent grounds. A month later the two major German electrical companies Siemens and Halske and AEG together with the phonogram company Polyphon Werke registered Klangfilm GmbH. Klangfilm, which held patents similar to those of Tobis, constituted a serious threat to Tobis.37

But the two companies soon settled their differences when ERPI, the US firm Electrical Research Products Incorporated, a subsidiary of Western Electric, started wiring German film theatres with its Sound equipment. Lawsuits for patent infringement followed and intensified, when in April 1929 Warner Brothers announced that The Singing Tool, a sound film popular in the US, would soon premiere in Berlin.38 The two major American sound companies, ERPI and RCA, started negotiations with the German companies, but failed to reach an agreement. In mid-1930, however, a sound patent agreement followed, according to which Tobis-Klangfilm, RCA and ERPI became members of an international cartel, dividing the world into territories for providing sound film equipment.39

An issue related to the problem of sound film was translating the soundtrack. Obviously this did not pose a problem between Hollywood and Britain or Australia, but between Hollywood and Germany it certainly did. By October 1929 the Hollywood studios had started dubbing soundtracks, but with crude results. Another translation method looked more promising: doing the same film again with actors speaking a different language. This was comparatively easy with émigré or multilingual actors like Greta Garbo, but had obvious limitations as well.40

In August 1930 Hollywood announced the Dunning process, whereby the backgrounds and extras were filmed in Hollywood studios. These shots were sent abroad and native producers then completed the film with local actors in their native language. This comparatively cheap method was also far from perfect. But within two years, lip synchronization techniques had improved so much that other methods were only seldom used.41 The introduction of sound coincided with changes in the governmental regulations and with the Great Depression of the early 1930s. It was they, rather than the problems of dubbing, which were responsible for the decline of American film exports to Germany.

**conclusion**

Summing up, it can be said that the US film industry managed, indeed, to make large inroads into the German film market in the 1920s. Although German companies, particularly UFA, put up some resistance, Hollywood proved too strong. But the view of two rivals with completely different objectives does not do justice to the facts: with German producers, directors and film stars going to Hollywood, and Germany adopting US production and marketing methods (the UFA Babelsberg studios looked much like the Universal Studios in Hollywood), there was intensive interaction and, to some extent, symbiosis.42 After 1927 renewed and intensified German propaganda and the propagation of stereotypes - American ‘civilisation’ versus German ‘culture’ - had its effect and went hand in hand with German film business interests in Central and Western Europe. The restructuring of UFA as part of the Hugenberg concern and the introduction of sound film
improved the competitive position of the German film industry vis-à-vis Hollywood in Europe, and the Great Depression slowed down US film exports even more.

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ABSTRACTS


AUTHOR

HANS-JOACHIM BRAUN

University der Bundeswehr
The diffusion of American organisational models to Norwegian industries, 1945-1970

Rolv Petter Amdam and Knut Sogner

INTRODUCTION

1 Over the last years we have seen an emerging literature that deals with the diffusion of American organisational models to Europe after the Second World War. Most of this literature focuses on the diffusion process at country level. In this chapter, however, we argue that we need to extend this perspective to the regional, industrial, and company level to get a thorough knowledge of the character and complexity of the diffusion process.

2 Our specific focus is on the diffusion of organisational knowledge from the US to Norwegian industry. We use two cases that have been seen as typical expressions of American influence in Europe, namely the introduction of a personnel management policy at the corporate level and the introduction of the multi-divisional organisational form (M-form). We examine examples from different Norwegian manufacturing companies, but mainly see the diffusion process from the perspective of two particular companies, Norsk Hydro and Elkem. The Norwegian engineer Sam Eyde was a key entrepreneur in the establishment of both Elkem (1904) and Norsk Hydro (1905). Both were based on the country’s rich hydro-electrical resources. However, the companies soon developed differently. Hydro became a large producer of fertilisers while Elkem became an exporter of technological knowledge through its patents in melting technology. Both companies developed strong international links during the inter-war period, and Elkem especially developed a very solid relationship with American business prior to and during the Second World War.

3 After the war, both companies became important players in the Norwegian ‘modernisation project’ to create an economy with manufacturing as its core. The Labour
Government encouraged the growth of relatively large companies, even through foreign investment. Norsk Hydro was Norway's largest company, and its expansion was encouraged by the fact that the State took over 47 per cent of its shares. One illustration of the role Hydro played in the modernisation process was the fact that the company diversified during the first three post-war decades and became a key player not only within the fertiliser industry, but also in aluminium and oil. Elkem also expanded rapidly in this period, and became an independent producer of aluminium and ferroalloys.

Because Hydro and Elkem were both open towards the international business community and key actors in the national arena, they are interesting cases of how US organisational models were implemented in across the Atlantic. The purpose of this chapter is to analyse the diffusion process as it was experienced by the companies. We strongly argue that, to do so, we need to extend the perspective from only seeing Europeans as passive recipients of American knowledge, and regard them as active players who searched for knowledge and reinterpreted what they found in a concrete context. In the first part of the chapter we outline this argument further by drawing on theoretical arguments from organisational theories. In the second and third part we analyse the diffusion process based on our two cases, personnel management policy and the M-form.

PERSPECTIVES

One way to contrast the different perspectives on the cross-national diffusion process of knowledge is to use the concepts copying, changing and choosing. The diffusion of American organisational models like the M-form and the personnel management idea can be seen as a process of copying. Theoretically, the new institutional theory has had a heavy influence on studies of the diffusion of organisational models. According to this tradition, organisations tend to adjust to each other within an organisational field, or as the American sociologists Walter W. Powell and Paul J. DiMaggio put it, “model themselves after similar organisations in their field that they perceive to be more legitimate or successful.” An organisational field is - according to the same scholars - composed of “those organisations that, in aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products”. According to this view we can define, for example, corporations within the motor industry as belonging to the same organisational field. When the dominant player in this industry successfully introduces major organisational changes, like the M-form, the other companies will follow. Since we are concerned with the diffusion of organisational models across countries, we might assume that diffusion across borders depends on the degree to which an organisational field is internationalised.

The new institutional approach has two implications concerning the explanation of why organisational models have been diffused across borders. First, it is assumed that there is a strong player that diffuses the model. The strength and the position of this player are decisive for the result of the diffusion process. In the cases of the cross-national diffusion of personnel management policy and the M-form, this perspective should be relevant since American business, from where these models originated, had a very powerful position in the international economy after the Second World War. Second, adoption is, however, not only a result of the strength of the sender in the diffusion process! Another reason why organisations tend to follow the leader is that they want to become similar
due to coercion, norms, and imitation. Thus, structural and institutional conditions surrounding the organisations that adopt the model are of great importance. According to Kogut and Parkinson, the spread of the M-form in Germany, France, and the UK was primarily due to the development of the market, technological, and legal environments similar to those that prevailed earlier in the United States. This means that the focus is on explanatory forces that are external to the organisations that adopt the model, and not on what is going on inside the organisation. Management of an organisation is reduced to a passive activity, and the organisational imitation is a result of the organisations’ tendencies to follow the leader within the organisational field.

Other scholars have focussed on internal explanations as to why companies copied the M-form. By focusing on divisionalisation as an effect of diversification, the business historian Alfred D. Chandler jr. is concerned with the causality between the copying of the M-form and structural, albeit internal, factors. Like many organisational scholars who have subsequently provided further empirical studies of the diffusion of the M-form, Chandler focuses on the efficiency argument by saying that the divisionalised form suited the diversified structure well. The American sociologist Neil Fligstein, however, alongside other new institutionalists, questions the emphasis on economic motivation. According to his findings, the copying process was a result of competition among different professions to achieve control of the corporation. These arguments can be combined, by stating that the efficiency reason was the most important motivating factor early in the process, while non-economic factors may have became dominant from then on.

The limitation of the copying position is that it assumes that organisational models are adopted in the same form as the original model when it is diffused. Within organisational studies, ‘Scandinavian institutionalism’ provides us with a perspective that goes beyond this copying position. The interesting aspect of the diffusion process is how organisations translate the original model into something different. What emerges is something different from what was put in. Analytically, this means that the research focus must be more on how ideas travel, and how they are translated differently, and less on the sender of the message. Cross-national research on the diffusion of the M-model gives examples that support the fruitfulness of focusing on translation. For instance, several researchers have noticed a tendency for ‘paper’ adoption of the M-form in the UK in the 1950s and 1960s. Some corporations introduced what they called the M-form, because of the prestige attached to adopting an American organisational model. However, there was a discrepancy between the M-form as a label and the activities within the new organisations, and the process contributed to strengthen the holding companies. We could say that the formal structure and activity were de-coupled, and the M-form as an idea was translated into the holding company.

One limitation with the changing - or translation - perspective is that it follows how one model travels and changes. We could, however, argue - based on an evolutionary perspective - that what matters the most is which organisational model the corporation chooses to introduce. Organisations select and edit what organisational model they want. And if organisational studies based on this approach seem to put more emphasis on the character of the editing process itself, rather than the factors that explain the selection and editing process, business historians have insisted that what matters is how and why the management of corporations have chosen to introduce the M-form or the idea to develop a personnel management policy.
This presentation of the three positions on the diffusion of American organisational models is derived from organisational studies. It illustrates a problem within organisational studies, namely the lack of research focus on concrete decisions behind the cross-national diffusion of organisational models like the M-form and the formation of a personnel management policy. This fact opens up the possibility for fruitful case studies on decision processes based on historical methods. However, focusing on the decision process within the companies must not exclude the importance of other factors. The importance of the economic and cultural power of the sender - in this case the American corporations and American business in general - which the copy position highlights, and the choosing perspective neglects, is obvious in cases like the two we highlight.

It is, for example, well documented that the strength and the internationalisation of the American Consulting industry (most of all McKinseys) had an impact on the diffusion of the M-form in Europe. Further, it is claimed that the new post-war American inspired business schools advocated the model to European corporations. These observations make the 'travel of idea perspective' that is embedded in the changing position, into an interesting perspective for historical studies. To what extent did carriers of ideas - like the Consulting industry and the business schools - contribute to the introduction of the M-form or the personnel management idea in Europe? It is also obvious that we need to consider the country-specific institutional and economical contexts that dominated at the time that these models were introduced.

THE INTRODUCTION OF A PERSONNEL MANAGEMENT POLICY

Two years after the war, the management of Hydro initiated a process to change the organisational structure of the company. One result of this was the creation of a Personnel Department in 1953, one of the first in Norwegian companies. There are several indications that US influence was important, not least the fact that Fredrik Sejersted, who became the first Personnel Manager of Hydro, was sent to Harvard Business School in 1952 to participate in the four-week Advanced Management Programme.

At the beginning of the 1950s, the Human Relation tradition had begun to influence American business education, and this was reflected in the programme that Sejersted attended. One of the six topics that he studied was 'Problems in Labor relations'. This topic interested him very much, and he strongly felt that he had witnessed a paradigm shift in management thinking. In a report on the tour he wrote: "The challenge to business people of our day is to make each individual respond to you - feel that he takes part in the enterprise as an individual. Whilst the first half of this century looked for technical and scientific development, will the second half of it place Human relation [sic] as main feature?". He also visited several American companies, and saw how they organised their personnel policy. He was especially impressed by the way that General Motors had developed a System of evaluating its employees.

However, despite this, it is obviously too simple to interpret the Hydro case only as an example of copying an American model. Norsk Hydro was a well-established company with its own tradition, and in the early 1950s it was clearly looking for inspiration to shape future development. The archives reveal that the management was aware of the fact that there were other sources than those in the US to learn from concerning
personnel management. One of these was a new institution for executive training, the Administrative Research Foundation (AFF) attached to the Norwegian School of Economics and Business Administration in Bergen (established in 1951). This was inspired by the Henley academy and indirectly by the Harvard Business School. Led by Professor Rolf Waaler, it introduced organisational psychology and the human relations perspective to the Norwegian academic community. A third, and more important source, was Professor Sune Carlson at Uppsala University. It is obvious that the managers of Hydro were actively searching for different models when they started to plan their organisational process, and they were balancing their own background with these new sources at different stages of the process, both when they planned and when they implemented the personnel management idea.

At this time, Sune Carlson had a very good reputation as a management scholar in Scandinavia. As early as 1948, Hydro approached Carlson and asked him to make a report on “how different countries prepare companies to make organisational changes, especially concerning issues that deals with ‘the human factor’”. Carlson recommended Hydro to discuss the establishment of a Personnel Department. This advice was followed by several other concrete recommendations, and in 1950 Hydro established an ad hoc committee to prepare a Personnel Department. The decision to send Sejersted to the US and get more information on American personnel management must consequently been seen as an attempt to search for more knowledge to supplement Carlson’s recommendations and Hydro’s experiences.

Finally, if we focus on Hydro’s implementation of the personnel management idea, we see that we cannot characterise the company’s practice as a copy of either of the models. It had not only been actively searching for and choosing among different models, but had also changed these ideas into something novel. Sejersted himself explicitly argued for the necessity of being critical in adopting foreign models. They had to be adapted to the Norwegian context. Some even had to be rejected. For instance, he did not think it suitable to adopt General Motor’s System of evaluating and rating their employees. Even though he was strongly impressed by this System, he felt it would be difficult to implement in the Norwegian context, where a close relationship between the national workers’ union, the employers’ organisation and the Labour Government was important.

The Norwegian politico-economic situation is thus one explanatory variable. Another factor was that Sejersted and some other Hydro managers were influenced by the Moral Rearmament Movement (MRM). Their interest had been initially stimulated by personal contacts, but in 1948 Hydro sent 19 people - including some workers – to an MRM course in Denmark. Hydro employees later even went to MRM’s conference centre in Caux, Switzerland. This organisation, which originated in Oxford during the inter-war period, emphasised that personal improvement was the only way to a better world. Individual responsibility and change were preconditions for co-operation at the corporate level. Fredrik Sejersted made it clear that his contact with MRM had a profound impact on his vision of human affairs at Hydro. Without going into further details, we can conclude that the specific personnel management practice at Hydro in the late 1950s was inspired by Harvard, Sune Carlson and the Moral Rearmament Movement. Hydro had been searching for knowledge, and it had picked up different ideas and transformed them into a practice that was different from the American model, or indeed any other.
THE INTRODUCTION OF THE M-FORM

18 Formally, Norsk Hydro decided to divisionalise the company in 1964, and was one of the first companies in Norway to do so. Norsk Hydro was at this time the largest manufacturing company in Norway with 9,500 employees, all of them in the country. In the following paragraphs, we demonstrate that the Hydro case fits several of the positions we have presented in the first part of the chapter, and we also include examples of the early introduction of the M-form in other Norwegian companies, including Elkem, which divisionalised in 1966.

19 First, we argue that the decision to divisionalise Hydro was an example of an organisation that copied the dominating actors within an organisational field. If we define the Chemical industry as an international field, we notice that the large corporations within the Chemical industry were among the first to divisionalise both in the US and the UK. If we then ask why a chemical company like Hydro followed the leading actors within the field, it is possible to agree with Chandler that there was an internal structural pressure caused by expansion and diversification, and that led to divisionalisation.

20 In the case of Hydro, the production of fertilisers, which had been the company’s main product from its foundation in 1905, was still dominating, contributing about 70 per cent of turnover from several production units (see Table 1). However, Hydro had to some extent begun to diversify. During the late 1940s the company had decided to go into the production of metal (magnesium), and in 1963 it decided to go one step further and produce aluminium. In 1963 the company also began participating in a joint venture to search for oil in the North Sea.

Table 1: Norsk Hydro turnover 1964/65

| Nitrogen/Fertilisers | 69 % |
| Magnesium            | 12 % |
| PVC                  | 6 %  |
| Other                | 13 % |

Source: Annual Report

21 The view that diversification took place before divisionalisation also seems to be true of other Norwegian companies that introduced the M-form in the mid-1960s. The shipbuilding company Aker Mek. Verksted had from the mid-1950s expanded rapidly by buying up several independent shipyards both on the east and west coasts of Norway. This expansion meant that the company extended its production line from building what could be described as tailor-made liners to building standardised oil tankers. It also diversified into the production of ships’ motors. In 1964 management decided to participate in the search for oil, and in 1965 the company invested in electronics. During this period of expansion and diversification, the staff function at headquarters level expanded both in activities and number of employees. When the company bought the second largest shipbuilding company in Norway, Bergens Mek. Verksteder, in 1965, the
central administration became overloaded. According to the historian Håkon With Andersen, merging Bergen Mek. Verksted with Akers Mek. Verksted, threatened to tear the existing centralised organisation apart. Therefore, management decided to divisionalise.\textsuperscript{22}

The diversification argument is also valid for Elkem. When the Second World War ended, Elkem was a rather small, but knowledge-intensive engineering company, operating in a global market, and selling smelting knowledge to the electro-metallurgical industry in general and the aluminium industry in particular. During the 1950s, the company diversified into the production of aluminium, as well as mining and the production of rockwool. Based on this diversified structure, the company expanded prior to the decision to divisionalise in 1966.\textsuperscript{23}

As already noted, Fligstein has challenged the new institutional view that divisionalisation was a result of the search for economic efficiency. Fligstein argues that divisionalisation occurred because of competition among professional groups within the corporation to control the corporation. This view may be supported by empirical data from Norwegian companies. At Hydro, there were some changes among the managers below the CEO prior to the decision to divisionalise. The CEO, Rolf Østby, was appointed in 1956, and held this position to 1966. However, between 1960 and 1964, several other new members of the internal board were appointed. Among them were Johan B. Holte, director of research from 1960; Rolv Heggenhougen, technical director; Fredrik Sejersted, director of legal affairs; Reidar Thank-Nilesen, HRM director; Odd Narud director of finance; and Ulf Paust, marketing director. At Elkem and Aker, too, there were changes in the management just prior to the decision to divisionalise. In both cases, new CEOs were appointed in the late 1950s, and they were personally strongly involved in promoting organisational changes.

One thing that characterised the changes in the management of these companies was that business school graduates joined the senior group. Up to the 1960s, it was the engineers who had dominated among top managers in large Norwegian companies, and also in these particular companies.\textsuperscript{24} In a period when Norwegian industry in general experienced pressure to focus more on international horizons, the breakthrough of business school graduates among top management was an expression of a change in the professional background of managers and competition among professional groups. We can argue with Fligstein that the business school graduates represented a management style that wanted to focus more on market and financial issues.

What we have presented so far shows that divisionalisation in these cases needs to be explained in terms of internal pressure, caused by diversification and expansion, external institutional pressure, caused by the need for changing the focus from the domestic to the international markets, as well as competition among professional groups. However, our arguments have been based on a functional view, and assume that there was a correlation in time. But, as historians, we recognise the need to go beyond the functional level and investigate the concrete decision-making process that took place. If we do this, we see that we have to go beyond simple functional copying explanations. The Hydro case shows that there were very strong elements of choosing the organisational model as well as changing it.

If we look closer at what went on inside Hydro, we see that the decision to divisionalise was a process of searching for a new organisational model. From the early 1950s, several
committees were appointed in order to make organisational changes. One of them led to
the already noted establishment of the Personnel Management Department in 1953. In
1958 a committee led by the secretary of the board, Hugo Berentzen, noticed that Hydro
was very centrally organised. As a result of this work, Hydro introduced three permanent
committees, one for each of the company’s main activities, fertilisers, magnesium, and
plastics. These committees worked horizontally to counter the strong functional
organisation that still dominated. Even though the concept ‘division’ was not mentioned
in the debate, and the new committees did not have a strong and independent position,
they represented a forerunner of the divisionalised company.

In February 1962 a new organisational committee was appointed. It was this committee
that one and a half years later suggested the adoption of the M-form. The purpose of the
committee was to suggest changes in how the headquarter should be organised, and
especially consider whether tasks should be decentralised. The committee started to
search for organisational models. As a first step, three Norwegian companies were visited,
namely Aker, and the mechanical engineering companies Kvaerner and Christiania
Spigerverk, but the committee reported that it did not find any new ideas there. The next
step was to visit some large Swedish chemical and mechanical engineering companies. At
that time none of these Swedish companies had divisionalised, and the visits do not seem
to have had any impact on the committee. The third step was to visit nine chemical
companies in the US, including seven which were listed in the Fortune top 500. The
committee noticed that seven out of nine companies had introduced the M-form. It was
the meetings with these companies that made the committee suggest that Hydro should
divisionalise.

This was a real searching process, and we conclude that Hydro chose the M-form. When
the process started, management did not have any very clear idea about which
organisational form to chose. We should also add that there were no Consulting firm
pushing — or advising — Hydro to divisionalise. It was only after the decision was made
that management called upon a couple of consultant firms to help the company
implement the new organisational form. We should, however, add that this was contrary
to what happened at Elkem when that company decided to divisionalise. For here, the
company was strongly encouraged over the M-form by the American consultant George
Kenning.

Elkem’s case is obviously in some respect very different from Norsk Hydro’s. Elkem had
been a rather small company personnel-wise until the mid-1950s, and its growth as a
production company throughout the 1960s involved both alliances with foreign
companies and unusual sensitivity to American organisational ideals. Elkem’s reliance
on the American consultant, the former general Motor employee Kenning, is particularly
interesting here. Kenning’s main role was first and foremost to be a discussion partner
for Elkem’s management about how to develop large-scale organisations. These
discussions centred on principles of management, and only secondarily addressed the
issue of the M-form. And here a somewhat functional explanation may well be relevant.
For since Elkem had already been well exposed to managerial ideals that were
complementary to the M-form model, to introduce it was really rather a small revolution.
By the mid-1960s, the bulk of Elkem’s employees were newly employed and had been
familiar with Kenning’s interpretation of American management ideas.

As in Hydro’s case, other external channels that possibly could have pushed the idea of
the M-form were absent. As far as we know, the idea of the M-form was not taught at any
Norwegian business school, and the Norwegian business press did not publish anything on the M-form before 1965. This does not - of course - mean that the management of Hydro had no knowledge of the M-form. But the case gives a really strong impression of a searching process where management finally came up with a solution to learn from best American business practice.

The Hydro case is not only an example of choosing a model. It is also an example of changing a model. Initially, the M-form was only partially adopted, since it was the magnesium activities alone that were divisionalised in 1964. The other activities remained managed within a functional organisation. One year after the magnesium division was established, the other parts were reorganised into single plastic and fertiliser divisions. However, it appears that this was only a ‘paper’ reorganisation. Even though Hydro formally divisionalised, the old functional organisation was not dissolved.

The divisions were not very independent, and decentralisation of power and the division between strategic and operational decisions first took place only in the late 1970s, after Hydro had also established divisions for oil and aluminium production. Similarly, at Aker and Elkem, the M-form was only partially adopted. At Elkem, it was more than ten years after the M-form was formally adopted that decentralisation of power became a reality. At Aker, management even decided to go back to the functional organisation after a couple of years.

The slow adaptation of the M-form — once it was introduced — can be explained by two factors. First, it is obvious that the companies needed to learn. But, secondly, all three companies (Hydro, Elkem, and Aker) used the M-form as a mean to organisational growth. There was an inherent contradiction between old management’s ideals of being the architect of growth, which was present in all three companies, and the adoption of an organisational model that called for decentralisation. They were not only changing a static organisation into a different format, because more than anything they needed to see their growth ambitions successfully materialise before they could fully accept the consequences of the process that had been started. In our opinion, this argument is particularly important in the case of Elkem, which in many respects was rather new as a large company and really should have been in a cultural position to go wholeheartedly into the M-form.

CONCLUSION

To understand the complexity of Americanisation in Western Europe, we need studies of American influence at national, regional, industry and firm levels. This paper has focused especially on the latter. From this perspective it is obvious that we cannot understand the Americanisation process only as a matter of diffusion, with a strong sender (the US) and models that were copied (or not) in receiving countries. Economic actors - in this case managers - used existing business networks with the US, and actively searched for knowledge both in the US and other places. We may say that the knowledge was chosen and changed in a new context. What exactly was chosen depended to a large extent on what was useful in the concrete context at hand. In our case the adaptation of American organisational models was to a large extent shaped by how well they fitted into the process of modernisation in Norway.
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NOTES


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20. The numbers of employees was approx. 8,200 at Akers Mek. Verk and 3,100 at Bergens Mek. Verksted (Norges 500 største bedrifter, 1968)


24. Based on several accounts by company veterans, both in individual interviews and in a history seminar, June 2001.


ABSTRACTS

Cet article analyse la diffusion des modèles d’organisation américains dans l’Europe d’après guerre à travers l’étude de cas des entreprises manufacturières norvégiennes. La trame de cette étude consiste en trois approches théoriques qui découlent de théories de l’organisation et posent la question de savoir si les modèles organisationnels sont copiés, changés ou choisis. Cet article insiste sur le point clé des changements et des choix dans ces études de cas ; il montre que l’histoire économique peut procurer aux chercheurs en organisation des éclairages utiles sur les processus de décision, pertinents pour la mise en oeuvre de nouveaux modèles d’organisation.

AUTHORS

ROLV PETTER AMDAM

Norwegian School of Management
KNUT SOGNER

Norwegian School of Management
Following the American lead: Dutch firms, 1945-1965

Keetie E. Sluyterman

1 After the Second World War the Dutch were full of admiration for their American liberators. They were impressed by their political power, economic prosperity and high standard of living, which were seen as the direct result of the efficiency of their industry. Naturally, the Dutch wished to copy the ‘American way of life’ with its connotations of freedom, liberty, vitality and casualness. In fact, many believed that looking at America was like a ride in a time machine: you could see your own distant future. This feeling was reinforced by the Americans themselves, who were eager to show old Europe the way to a free and prosperous future and help it on its way with financial aid and the transfer of US technology, management Systems and marketing techniques. The American influence in the Netherlands remained strong during the 1950s and 1960s.

2 In this chapter I will examine how this American influence affected individual Dutch companies. I will start by discussing the findings of recent Dutch literature in this field. The celebrations of the 50th anniversary of the Marshall Plan in 1997 resulted in a number of books relevant to this theme. However, nearly all of these books stop at the factory entrance. Therefore I will broaden out this general picture by looking at two companies in more detail on the basis of monographs and research in the company archives. I will take the story up to the mid-1960s. The first case examines the uneasy relationship between the medium sized chemical firm Océ-van der Grinten and its US licensee. For the second case I have chosen the industrialisation of the traditional bindery of Proost en Brandt, a medium sized company in Amsterdam. In both cases I will focus on two aspects: first, the direct relationship of Dutch firms with US companies, and, second, their response to the US drive to improve labour productivity and more generally the response to American-style practices in labour relations, industrial organisation and workplace routines. The two cases demonstrate that the American influence was strong, that the benefits were mixed and that learning was mostly a one-way process.

3 The effects of the Marshall Plan and the Americanisation of Europe’ have been the subject of intense debates among historians. The scope of this chapter leaves no room for summarizing this debate. A few remarks must suffice. The debate moved from interest in
the political power of the US, to the macroeconomic influences of the Marshall Plan (how important was the US aid for Europe) to, recently, more detailed studies on the microeconomic level (was European business really Americanised). Business historians in particular have been interested in the transfer of American technology and managerial knowhow to Europe as part of the US drive to close the productivity gap between the US and Europe. Detailed research has considerably blurred the once clear picture of American models regenerating European industry. Kipping and Bjarnar concluded that American models were not transferred from the US in an ‘imperialistic’ fashion, but that individual actors and organisations played an important role in this process, because their perceptions and choices determined to a large extent the content of what was being transferred. The ultimate success of the Americanisation process resulted from a selective and partial adaptation of different elements of the US management model rather than a fully-fledged adoption.¹

Zeitlin argued that in fact Europe and Japan were wise to refrain from taking over the American model of mass production together with a host of systematic management techniques, organisational structures, and research and marketing services, because their own way of producing with greater diversity and flexibility turned out to have lasting value, as developments in the 1970s made clear.² In the British case, however, Tomlinson and Tiratsoo felt less patience with the adherence to old traditions. They concluded that even without turning to mass production, the British industry could have learned more than it did from a wide range of American techniques with regard to specialisation, standardisation, simplification, materials handling and quality control.³ The debate became somewhat confused when arguments were raised that there existed in fact no clear American model, but that there were many different lessons to be learned from America.⁴ Also, there was not one united policy in the US, but different factions pursuing different goals.⁵ Europeans often felt frustrated by the high moral stance of the Americans, which - in their view - could go hand in hand with a chauvinist nationalist policy.⁶

One of the most intensely researched topics in recent years has been the influence of the US on management education, which lasted long after the postwar productivity drive. Gourvish and Tiratsoo conclude with some reservations that the American offensive had indeed a substantial impact. The transfer process was, however, complex. The agendas of the American missionaries were eclectic and even contradictory and the reception of their ideas by European managers was mixed. Other actors, such as politicians, government bureaucrats, employers associations, trade unions and the educational establishments played a decisive role in the outcome of the transfer process.⁷ Even if the introduction of US management education in Europe was a success, we still do not know whether the ideas were actually adopted in companies, as Kipping and Bjarnar remind us.⁸ My chapter is intended as a contribution to further research at this company level. With all the reservations and nuances recent research has highlighted, the fact remains that the US was the dominant political and economic force after the Second World War and that it acted as a sort of ‘reference society’ for Europe.
AMERICAN INFLUENCES ON DUTCH LABOUR PRODUCTIVITY AND MANAGEMENT

At the end of Second War the Netherlands was severely damaged and impoverished. Even though modern research qualifies the total damage suffered during the war, the perception of contemporaries was that their country lay in ruins. The Americans were prepared to help Europe back on its feet through an extensive aid programme, the European Recovery Programme that has gone down in history as the Marshall Plan. This programme consisted of direct financial assistance through aid and loans combined with pressure on European countries for economic co-operation and liberalisation of trade. Only in an integrated Europe could European industry reap the benefits of mass-production and mass-consumption in the same way as in the US. A small but essential part of the aid was technical assistance to help increase labour productivity, because higher productivity was necessary to increase standards of living. The aid went hand in hand with propaganda emphasising the virtues of the free market economy.

Initially, the Dutch government was slow to participate in the US supported technical assistance projects to increase labour productivity. It was not that the government was not aware of the importance of raising productivity, but it was disquieted by the US claims that the benefits of a rise in productivity should be shared equally between producers, employees and consumers. For the government full employment and high exports were the first priorities, while higher wages would have to wait until economic recovery was well under way. Nonetheless, in 1950 a Dutch national productivity centre was set up to coordinate activities in the Netherlands. A year later a minister for the promotion of productivity improvement was nominated.

Up until 1956 some 1,300 Dutch people travelled to the US to study American technology, management, labour relations, agriculture, distribution methods and consumption patterns. The Dutch were impressed by the Americans' hospitality and their eagerness in sharing their knowledge. The Americans showed the foreign visitors their most successful companies and their high-level institutions. No wonder the visitors returned home with an almost unanimously positive view of America. The Dutch admired the large-scale production, the modern machinery and the highly efficient internal organisation that they saw. Even more than the technical progress, they admired the Americans' looser, more informal relationships between managers, bosses and workers, and the stress on internal promotion and learning within industry. Though they concluded that American and Dutch societies differed widely, they were nonetheless optimistic about the possibilities of learning from the US. The only complaint was that the exchange of ideas was very one-sided, taking for granted that the US could not possibly learn anything from Europe. The visits were followed by study reports, articles, lectures, courses and seminars to disseminate the newly acquired knowledge in the Netherlands. In some branches of industry, including the clothing and printing industry, the visits led to the establishment of dedicated productivity centres at sector level.

The most difficult part, however, was to put the newly acquired knowledge into practice, to convince the companies to make meaningful changes. For historians, this is also the most difficult part to trace: how were companies affected? Frank Inklaar, who studied the technical assistance and particularly the study visits to the US and their follow up, came to the following conclusions:
If we take a look at the introduction of American methods and technology in everyday practice, the picture is extremely varied. In trade and industry the study visits seem to have been particularly valuable for ambitious companies of some magnitude. For smaller companies the American practice was not as relevant. Big companies had their own means of remaining up to date. Our two case studies, the companies Océ-van der Grinten and Proost en Brandt, both fall in this category of mid-sized and ambitious companies. Inklaar also supposed that the positive influence was more marked for the agricultural sector than for the industrial one. As far as industry was concerned, the interest of the study teams soon moved from technical matters to more general managerial issues. There was a great enthusiasm for the human relations approach, but, according to Inklaar, the knowledge transferred was mostly a template, a concept without a well-defined content. The template was filled with Dutch views on the firm as a working community, on solidarity between classes and with personal preferences of the employers. In Inklaar’s view, management consultants undoubtedly benefited most from the whole productivity drive. They participated in several study teams and received regular commissions from industry branches as well as individual companies. The social scientists were another group of professionals who acquired higher status and wider employment through the application of American inspired knowledge. Other studies confirm that the influence of the US on Dutch management consulting was strong and remained strong. The former German influence diminished, while American ideas began to take over. Britain played an important intermediate role. The management consultant B.W. Berenschot was one of the most active promoters of US management techniques. The new ideas ranged from better layout of machinery to discussion methods and sensitivity training. Dutch business complained about the endless introduction of new management fads as early as 1955. In the 1960s Dutch consultancy firms took up new ideas on marketing and strategy, developed in the US, often in direct competition with US consultants who came over to Europe. One of the first US firms to settle in Europe was McKinsy & Company. They were hired by the Shell Group to reorganise its The Hague and London head offices in 1957. The US influence on management consulting and education continued into the 1960s. The mid-1960s also saw the founding of new business schools attached to universities. Dutch enterprises thus experienced American influence both directly through their own contacts with the US, and indirectly through the productivity work in their sector and the activities of US-inspired management consultants and social scientists. How these influences worked out for two individual companies will be explored in the next two sections.

OCÉ-VAN DER GRINTEN: EXCHANGE OR TRANSFER OF KNOWLEDGE?

The company Océ-van der Grinten was a family firm, as was the firm Proost en Brandt we will discuss as second case. It was not a multinational enterprise such as Royal Dutch/Shell or Unilever, but it had a worldwide network of licensees and through this network direct contacts with US companies. Its roots went back to the Nineteenth Century. In 1920, three brothers van der Grinten, all doctors of chemistry, started the company’s document copying activities. Their chemical knowledge was acquired at universities in Germany and Switzerland. First they produced blueprint papers, but in the 1920 they
developed their own diazotype printing process, which closely resembled the German Ozalid process. The German chemical companies were world-leaders in their sector and their research was highly esteemed. The company Òcé-van der Grinten, located close to the German border, kept in regular contact with its German counterparts, despite fierce competition. Patents, licences and licensees played an important role in their business. The three brothers van der Grinten were the only managing directors of the company until the first outsider made its entrance in 1956. Two years later the firm was turned into a public company and its shares were listed on the Amsterdam Stock Exchange. In the mid-1950s the company was comparatively small, with no more than 400 employees, but with about 40 licensees in all parts of the world. A period of rapid growth followed. In 1966, the company had five foreign subsidiaries and the Òcé-group employed 2,300 workers.

During the Second World War, Òcé-van der Grinten had been unable to keep in touch with most of its foreign contacts, while production in the Netherlands had become increasingly difficult. The family had been evacuated from its base in Venlo from September 1944 to May 1945, bringing all production and research to a standstill for months. Thus, the company was in a pretty bad shape directly after the war, though the brothers were highly optimistic about getting it back on track. In the US they had two important contacts. Their oldest was with the New York based Charles Bruning company which was one of their most supportive licensees during the interwar years. The other was of more recent date, created when the Second World War loomed. In 1939, the three Van der Grinten brothers entrusted a German friend who had emigrated to the US, Frank Guthery, with the secret recipes of copying ingredients to ensure the delivery of these Chemicals to their licensees abroad if contact with the Netherlands became impossible. During the war Guthery had indeed been able to keep in touch with many of the Òcé licensees. He had made a good profit, part of which was due to Van der Grinten. This money was used to send much needed food and clothing as well as Chemical products to the Netherlands. The brothers were delighted to receive Chemical journals to inform them of the main scientific developments during the war. Their licensee Bruning had ended its contract during the war, but was pleased to get in touch again and renew the contracts after the war. It, too, informed the brothers van der Grinten about the developments in the US. So these direct contacts with the US helped the company during its first difficult year of reconstruction, a help that was highly appreciated by the brothers Van der Grinten.

However, they also discovered that the US kept a close watch over its own interests. During the war, the firm’s patent rights and royalty income had been confiscated by the national governments of several countries. Countries such as Great Britain and Canada returned the rights after the war as soon as officials had ascertained that the Van der Grinten family had not traded with the enemy. Not so in the US. During the war, the Alien Property Custodian, later transformed into the Office of Alien Property (OAP), had confiscated 14 Van der Grinten patents and collected the royalties of its licensee Bruning. After the war the Van der Grintens filed a claim to get back their patents and money. First, the OAP had to be convinced that they had behaved loyally during the war. Moreover, the OAP wanted to make sure that they were at that moment not trading with some specified countries of the communist bloc, a demand illustrative of the deep US concern with communism. When the necessary papers had been handed in, the US authorities suddenly brought forward a new argument: ‘the interest of the United States’.
This argument had nothing to do with the former reason for the confiscation, but was a direct consequence of US anti-trust policy, another of its deep concerns. Certain provisions in the old agreements between Bruning and Van der Grinten were found to be inconsistent with US anti-trust policy. Even the newly formulated agreements could not satisfy the authorities. The Van der Grintens attempted to retrieve their rights and money several times, but in vain. In 1959, the OAP informed them that the return of the claimed property was not in the national interest. The legal Dutch advisor of Océ-van der Grinten remarked that little could be done against the injustice of States. It seems that in a situation like this, a firm from a small country was at a disadvantage. This behaviour of the US came as a shock to the brothers Van der Grinten because they held the Americans in such high esteem as the liberators and supporters of freedom and peace.

In the meantime, their relationship with their US licensee Bruning was not without difficulties either. With the US being superior in so many respects, it seemed unlikely that Bruning would need the research and know how of a small Dutch company. In the development of copying machinery Bruning was clearly moving ahead of Océ, as the brothers Van der Grinten themselves admitted. In copying paper and chemical research, however, Océ was still competitive, particularly in the diazo System. In the drawing office and engineering industry more generally, the Océ diazo process, improved over the years, remained very important well into the 1990s. However, in the office market, Van der Grinten encountered strong competition from several copying Systems based on photochemical paper (copyrapid), introduced in the 1950s by big companies such as Kodak and Agfa. It was these Systems that made Bruning doubtful of the lasting value of its licensee relationship with Océ. (Xerox was not a serious competitor until the mid-1960s, but its threat was already looming over the office market). In 1955 Bruning ended its relationship with Océ. It had now its own research laboratories and therefore found it no longer needed the know how of Océ. Also, the new members in the board of directors of the Bruning company did not consider themselves bound by old friendship ties. Interestingly enough, Bruning returned as licensee in 1958, but left once more three years later. In the end Bruning could not escape Océ. It was taken over by Océ in 1991, and, for better and worse, became part of the Océ group.

Apart from the direct influence from America via its business partners, Océ-van der Grinten also experienced the indirect influence of American ideas on management. The human relations movement reached Karel van der Grinten via the Dutch author M.G. Ydo, who was inspired by the work of GE. Mayo. He became aware of the importance of keeping employees interested in their work wherever possible, and promoted Bedrijfskadertraining (BKT), the Dutch equivalent of Training Within Industry, because he thought the Europeans could learn from the Americans about how to manage their employees. However, he had his reservations towards what he considered the “American focus on dollars”. In this respect, he argued, the Americans might learn something from the less materialistically oriented Old World. The company attached great value to the psychological testing of employees. The American trained industrial psychologist J.L.M. Harold was also hired for discussions with higher staff on management development. Karel van der Grinten was particularly concerned about the problem of management succession, realising he and his brothers would soon have to make way for younger and more modern leaders. There was less interest in improving efficiency and productivity before the mid-1950s, perhaps because the brothers Van der Grinten saw Chemical research as their core business and considered production more like an unavoidable
necessity. Also they were endlessly experimenting and therefore less focused on standardising. For instance, Karel van der Grinten did not think classification of work useful, because so much work in their factory seemed to have a specific character requiring a personal touch. There was no System of merit-rating, though personnel could receive an individual bonus. In accordance with Dutch social tradition, the company set up a works council before it was officially required. The management used the works council to discuss all kinds of labour issues. Karel van der Grinten even considered giving the council the right to comment on the nomination of managing directors, but this right was not formally constituted. Despite some American influences, the management was predominantly characterised by the informality of the family firm with few written rules and a great emphasis on personal relationships.22

The post-war experiences of Océ-van der Grinten with the US were mixed. The brothers received support in rebuilding their company directly after the war, but they also encountered the political power of the US State in their lost struggle to get their patents back. The increasingly uneasy relationship between Océ-van der Grinten and its licensee Bruning seems to confirm the impression that, after the Second World War, US companies became more interested in handing out information than in receiving it, let alone paying for it. As mentioned already, this one-sidedness of US attitudes towards Europe was also commented on negatively in the Dutch study team’s reports on their US visits. The Van der Grinten brothers, on the other hand, had an open eye for US research and technology and were pleased to learn from their licensees. In the long run, this was very much to their own benefit, which is illustrated by the fact that they were able to survive in the very competitive market of photocopying machines. They also welcomed US inspired ideas on management, but used them selectively.23

THE BINDERY OF PROOST EN BRANDT: MODERNISING INTO DECLINE

One of the sectors that enthusiastically embraced the productivity gospel was printing. This sector consisted predominantly of small and medium sized companies and was already in the 1930s in the process of changing from a traditional to an industrial way of producing. As soon as the sector learned about the possibilities of making a study trip to the US, two productivity teams were formed, one of typographers and one of lithographers. The latter prepared its visit to the US very carefully. It even hired the management Consulting firm Raadgevend Efficiency Bureau Ir. P.H. Bosboom en F.C.M. Hegener to study the main factors influencing labour productivity in the printing industry. The teams returned in the spring of 1951 and caused an ‘America’ mania in the printing sector with a stream of lectures and publications. Their reports contained a mix of scientific management ideas and the human relations approach. The teams concluded that mechanisation in the US was indeed further advanced than in the Netherlands, but more important was their lead in organisational matters. The Dutch could learn much from their ways of planning, routing, work analysis and control Systems. But most of all they were impressed with the relaxed working relationships, the close co-operation and individual dedication of employees from top to bottom. Inspired by the American example, the teams started two large-scale projects to visit each other’s companies. In 1954 they set up a productivity centre for the printing industry.24 The sector even published a follow up report on the improvement of productivity in 1958. This report
concluded that the sector was divided in two groups of firms. One was actively increasing the productivity of labour and machinery, and working on improving the quality of input and output; but the other was passive and conservative, reluctant to make changes. Some companies had made important improvements on the basis of the American example. However, the report also wondered whether this was the result of the courage, collaboration and initiative of the entrepreneurs or the logical outcome of rising demand for all printed matter.\textsuperscript{25}

The firm Proost en Brandt (hereafter P&B) was not a printer but a paper wholesaler and bindery, thus active at the beginning and the very end of the printing process. It also had a number of related activities. It was an Amsterdam family firm, dating back to 1742, when it started publishing bibles and hymnbooks. With around 700 employees in the 1950s, it was one of the largest companies in the printing sector. The business culture was protestant and sober. The management lunched with home made sandwiches, and the director Ulco Proost, then in his late sixties, still came to his work on his bike and was even reprimanded for not putting it in the bike shed. In the course of the 1950s, the Proost family decided to incorporate the old family business. The shares were listed on the Amsterdam stock exchange and management from outside the family was included in the board.\textsuperscript{26}

The family Proost was clearly open-minded towards changes. It was interested in new ideas from the US. After the war, it organised annual two-day conferences for the senior staff with a mix of lectures, excursions to printers or paper manufacturers, and some entertainment. One of the first subjects to be discussed in 1946 was “what can we learn from the US printers?”. In 1951 the management consultant P.H. Bosboom explained the importance of increasing productivity, underlining how much the Netherlands could learn from America. Another speaker introduced the American concept of ‘creative selling’: making customers aware of their needs instead of simply waiting for orders to appear. An expert in personnel management was invited to a meeting of the works council to discuss the relationship between management and workers in 1952. Already during the Second World War, the company had decided to give serious candidates a psychological test. The Nederlandse Stichting van Psychotechniek was one of the agencies the firm consulted for this purpose. The family Proost attached high importance to harmonious working relationships. There are no references to the human relations movement in their archives. However, they used the more traditional Dutch way of connecting with their personnel by reinstating the works council directly after the war, ahead of the official requirement to install such institutions in 1954.\textsuperscript{27}

For the P&B case, we will concentrate on the developments in the bindery, the oldest part of the firm. In 1937 the auditor Hanken was asked to investigate the company. He concluded that the bindery was important, large-scale and well organised. It had the potential to compete with any other bindery in the Netherlands. Fifteen years later, the management consultants Bureau Hendriks en Monster were less optimistic. They were hired to create an incentive System, but came to the conclusion that this was not yet possible. Psychologically and organisationally the workers were not yet ready for such a System. The bindery was too traditionally organised with the focus on high quality instead of such issues as routing, layout, working methods and required performance. Productivity was about 60-70 per cent of what could be achieved. They advised management to start with analysing the organisation, the routing, and so on, before introducing MTM (Methods Time Measurement), which was so successful in America.
Convinced of the need to make changes, the company hired the consultants to improve the organisation and instruct the workers according to BKT principles. The activities included time measurement, which led to complaints in the communist newspaper De Waarheid that the poor girls at the P&B bindery were rattled. Two years went by with productivity measurements and norm setting. It is not clear whether a new System of incentives was introduced in the end or not.  

The big problem of 1953 was overwork, as the bindery could not cope with the workload, and trained personnel were hard to come by. Part of the work was brought over to an additional workplace outside Amsterdam. Complaints about bad organisation and low productivity persisted, but at the same time orders kept coming in and each year could be closed with profits. There did not seem so much urgency for change. Nonetheless, the company decided to enter the high volume, low margin world of pocket books in 1957. New machinery was purchased in Germany. As usual there were start up problems, including long periods of machine downtime. In 1959 the company decided to consult experts from the Productiviteitcentrum Grafische Industrie, the productivity centre of the printing industry set up as part of the Technical Assistance Programme. At the same time an in-house productivity department was established to raise productivity and look after the well known scientific management issues such as layout, internal transport, planning, and cost calculation. Even a merit-rate System was introduced which led to the predictable unrest among the workers and did not satisfy the management either. But the management persisted in its efforts to renew the bindery. In 1961 it introduced the largest Rotor binder then available, creating a revolution in the Dutch pocket books industry, at least according to one of the national newspapers. All efforts to modernise the bindery and respond positively to the productivity drive did not lead to rising profits. On the contrary, from 1961 onwards, the bindery experienced losses, particularly the modern pocket books department.  

The triumph of modernisation came in 1965 when P&B installed an American Sheridan High Speed Heavy Duty Perfect Binder, which basically doubled total production capacity. This new piece of advanced machinery was bought to serve one client, the American publisher Time Life. The managing directors were so impressed with this important client that they were prepared to buy the machinery the Americans thought most suitable. The traditional bindery, focused on specialised high quality work, had become an industrial company for mass production. It was also the beginning of the end. The Sheridan suffered start-up problems, but that was to be expected. However, in later years, it never produced the promised turnover. A year after the introduction of the Sheridan binder, the losses in the bindery rose so dramatically that the management consultants Berenschot were asked to analyse the problems. They concluded that something was wrong in the coordination of selling and producing. The sales manager had better access to the managing directors than the production manager, who needed more support. The production manager himself complained about a lack of discipline in his foremen and insufficient clearness and consistency in the instructions of the managing directors. Berenschot was asked to improve planning, work regulation and preparation, to create productivity norms, and train the workers. The big challenge was to increase the productive hours of both workers and machinery. After a year, Berenschot was also asked to help bring more co-ordination between production and selling. The publisher Time Life was reasonably content with the work P&B delivered, but disappointed in their scientific approach. Even after three years of working with the Sheridan binder, the firm was unable to show...
productivity rate figures. What was worse, at least for the firm, was that losses in this department remained high. Despite endless managerial advice and frequent changes in management, the modernised bindery never fulfilled the early high expectations. In the early 1970s, the results became so disastrous that this part of the company had to be closed.  

A number of factors caused this disappointing outcome. The modernised bindery had become dependent on exports, while the rising wages in the Netherlands from the early 1960s onwards affected its international competitive position negatively. More importantly, however, the traditional bindery had become an industrial company, one based on mass production and mass consumption, which demanded a different kind of leadership: more systematic, more rigorous and less opportunistic. The managing directors of P&B, with their main interest in Wholesale trade, were unable to provide that kind of leadership. They were open to the need for changes and were prepared to hire experts repeatedly, but that was not enough. The far-reaching implications of the industrialisation of the bindery for management were insufficiently realised by the company as well as its many advisors.

The history of the P&B bindery raises some doubts about the relevance of American inspired managerial advice. In this respect, there is an interesting similarity with experiences in the Dutch clothing industry. The textile industry was very active in the productivity movement. No fewer than seven productivity teams went to the US, two of them related to the clothing industry. This sector created a productivity centre and had the constant attendance of management consultants, particularly Berenschot and Horringa. Yet, despite all these efforts, the clothing industry collapsed in the 1960s. Frank Inklaar suggests two explanations for this paradox. First, the implementation of all the suggested productivity measures left much to be desired. Second, the entrepreneurs gave insufficient attention to the issue of marketing their products, because they could sell them easily in the 1950s. When difficulties arose in the 1960s they were unprepared.

This touches on a more basic problem of the whole productivity drive: Europe, let alone the Netherlands, did not have the kind of mass market that was at the basis of the American mass production. Economies of scale were a typical American phenomenon that could not simply be transferred to the Netherlands. The US advisors were well aware of this problem, but considered that many of their productivity measures were still useful to European industry. For the clothing industry, and for the P&B bindery and other equally industrialised binderies, these measures did not work out. A similar story could be told about the leather and shoe industry. Here, too, productivity centres were established and rises in productivity achieved. However, nearly all the constituent companies disappeared during the late 1960s and early 1970s. The Third World took over the mass production of these goods, while those companies that had specialised and diversified were able to survive.

CONCLUSION

What can we learn from these two case studies? Obviously, these are only two examples, but they help to broaden the picture. The political power of the US was something the Dutch companies had to reckon with. It was obviously used to further the interest of US companies and there was little the Dutch companies could do in return. The refusal to return the patents to Océ-van der Grinten was a case in point. However, the Americans
also showed a great willingness to share their knowledge and expertise. The Dutch were able to look into the American kitchen and were encouraged to make the most of what they learned. With regard to the human relations approach both companies showed an interest in American ideas. The Americans’ insistence that relationships between management and workers should be informal, and their emphasis on internal promotion could not easily be transferred to the Netherlands since Dutch society was far more formal and hierarchically organised. Moreover, one might argue that the voice of the workers was heard and listened to through the Dutch works council in a more structured way than in the so admired American habit of leaving doors open and using first names. The history of Océ-van der Grinten shows that the exchange of information and knowledge with the US became increasingly one-sided. After the Second World War there seemed to have been little inclination on the side of the Americans to learn from Europe.

The results of the whole learning process and particularly the productivity drive were mixed. The two cases confirm Kipping and Bjarnar’s conclusion that the most successful companies learned from the US in a selective way, while an embrace that was too enthusiastic could prove damaging. The Dutch study teams to the US frequently remarked that the US only showed them its most successful companies. The US defended this preference by pointing out that the Europeans could best learn from successful examples. However, one might argue that had the Europeans been given the opportunity to compare successful with less successful companies, they would have been able to better judge what the real causes of success were, and what led to failure. The case of the P&B bindery highlights the limits of US inspired managerial advice. The traditional bindery was transformed into an industry, but both the company and its consultants forgot that this change demanded a kind of industrial management that was not available within the P&B company, which was predominantly focused on wholesaling. Perhaps both parties shared the US optimism that management could be learned.

More generally, those industries that were most active in the productivity movement - the binderies, the textile, leather, shoe and small metal industries - were also those that faced the most serious problems in the late 1960s. The history of these industries underlines the argument of Zeitlin that the American model of mass production had serious limitations in different organisational and environmental contexts. Further research is needed to decide whether these industries could have survived if they had used other competitive strategies based on greater product diversity and productive flexibility.

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30. Minutes Works council, 1957-1962, 6.8-8; minutes board of directors 1959 0.01-14 P&B AMA.


32. SLUYTERMAN 1992c: 113-116, 140-146; reports on bindery, 540.00-10, 540.30-1 and 540.30-4, P&B, AMA.

33. In fact, many Dutch trading companies experienced difficulties in managing their industrial activities, which they optimistically had acquired during the 1960s. As a consequence they had to sell them or shut them down in the 1970s with huge losses: J. JONKER and K. SLUYTERMAN, At home
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ABSTRACTS

Cet article étudie comment la forte influence américaine après la Seconde guerre mondiale a affecté l'économie néerlandaise et en particulier deux entreprises de ce pays. Le premier cas étudie les relations difficiles entre l'entreprise chimique de taille moyenne Océ-van der Grinten et ses licenciés américains. Le second cas porte sur l'industrialisation d'un relieur traditionnel, Proost en Brandt, une entreprise de taille moyenne installée à Amsterdam. Ces deux exemples démontrent que le pouvoir politique des Américains était un élément dont les entreprises néerlandaises devaient à tenir compte. L'influence américaine sur la productivité et le management était très visible, mais les résultats plus contrastés. L'apprentissage était avant tout un processus à sens unique. Les entreprises qui ont le mieux réussi tirèrent leur enseignement des États-Unis de façon sélective.

AUTHOR

KEETIE E. SLUYTERMAN

Utrecht University
From exchange programmes to the legitimisation of university-based management education: the case of Belgium, 1920-1970

Kenneth Bertrams

1 Exploring the Belgian academic landscape highlights some basic constitutive features of the country’s cultural heterogeneity: economic and political dependency, overall international influences and strong regional identities.¹ The country’s geopolitical situation at a crossroads breeds massive internal tensions and tends to padlock the entire population into embedded antagonistic structures (Dutch/French, catholic/secular). The academic field represents a microcosm of this rigidity. The universities of Ghent and Liège are two public institutions, while Louvain/Leuven and Brussels were not initially funded by the State; Louvain/Leuven is catholic and Brussels is based on secular philosophical conceptions. Ghent became a Dutch-speaking university in 1930, and language conflicts in the late 1960’s led to a split at the University of Louvain/Leuven and the creation of a new French-speaking University of Louvain at Louvain-la-Neuve. The Dutch-speaking University of Brussels was also founded at this time without any great disruption.

2 Unsurprisingly, until recently, national academic exchanges, whether of students, scholars or professors, were very limited. It was hazardous for someone to hold a chair in a university other than the one they had graduated from. This phenomenon was often noted by authoritative voices in the Belgian scientific community, with, for example, Jean Willems, who headed the National Scientific Research Fund for some forty years, speaking of “autarchic reproduction” or “inbreeding”.² Exchange programmes abroad were viewed as a possible way of counterbalancing local inertia. The United States appeared as an early player in this field although there had been frequent contacts with German universities prior to the First World War. In fact, the real breakthrough of American educational exchanges came with their institutionalization after 1918. It occurred less because of a systematization of the ‘seduction process’ on an individual basis, and more
because of the building of a platform for personal interactions, in line with some American schemes, but along national lines and according to local needs. This situation was especially true of the rise of the group promoting improved labour productivity levels, the training of managers and the introduction of university-based management education in Belgium.

ORIGINS AND INSTITUTIONALIZATION OF ACADEMIC EXCHANGES

The Belgian American Educational Foundation (BAEF) was established in 1920 with the remaining funds of the Commission for Relief in Belgium, which helped provide food for the local population in wartime. The Chairman of the Commission, Herbert Hoover, future US President, convinced the Belgian Government to endorse a bilateral exchange programme for graduate students, while endowments and direct aid were given to the Universities of Brussels and Louvain/Leuven. The funds stemmed mainly from sales of surplus military supplies outside Belgium after November 1918. From the outset, the BAEF cultivated close contacts with other Belgian philanthropic foundations that were also set up at the end of the war, such as the Fondation Universitaire, which aimed to provide loans, grants and subsidies to higher education students and scholars inside Belgium.

Members of the BAEF’s Fellowship Committee were thus represented on the Board of the Fondation Universitaire and vice-versa, so that Americans were involved in Belgian private institutions.

With the Rectors of the four Belgian universities sitting on the Fellowship Committee, there was no doubting the fact that the initiative was meant to favour university students, at that time only a tiny part of the population. In 1920, Belgium had less than 10,000 university students (3248 at Louvain/Leuven; 2501 at Brussels; 2303 at Liege; and 1277 at Ghent), mostly male and from better-off families. The future elites were given a chance to get acquainted with the most modern theoretical teaching abroad as they were sent to top universities. More generally, the exchange was legitimised by both conjunctural arguments (for example, the ‘technical gap’ between the US and the rest of Europe) and structural arguments (the ‘inbreeding effect’). From 1925, the BAEF widened its selection criteria by including special grants for research fellows and professors, while full scholarships were frequently renewed. This approach was only used during the inter-war years.

Analyzing some statistical data for the period 1920-1950, it is obvious that an emphasis was placed on the academic dimension in the first waves of exchanges. The BAEF sent 623 Belgians to US universities (including graduate students, scholars and visiting professors) and awarded 736 scholarships. In comparison, only about 250 American counterparts crossed the Atlantic, which certainly qualifies the idea of a shared two-way programme. Turning to the occupations of the Belgian ‘fellows’ (including emeriti and deceased professors) in the cohorts to 1950, it is striking that 312 (or 50 per cent) had been or were teaching at university level, either in Belgium or abroad (see Graph 1). BAEF fellows at the four Belgian Universities formed 20 per cent (184/928) of the total professorate in 1952. But though impressive, this percentage is in fact somewhat misleading because it includes professors who were already appointed before the war. As to the scientific staff, only 6 per cent (40/695) had undertaken BAEF sponsored study trips at the time of the count.
These figures can be further nuanced if one looks carefully at the quality of the scholarships awarded to future doctors of medicine who intended to teach at university, by far the biggest group of grantees up to 1950, for 45 were ‘graduate fellows’ whereas 50 were ‘advanced, ‘special’, ‘visiting scientist or ‘visiting professor’ fellows. A similar point can be made about the engineers: 35 obtained scholarships when they were only young graduate students, while 29 were already held appointments in their respective engineering departments. At the University of Louvain/Leuven in 1952, the proportion of former BAEF ‘graduate fellows’ among the active professors was apparently very high at 56.9 per cent (37 out of 65). But this figure must be put in context, for the total number of professors had grown from 249 in 1938-39 to 352 in the early 1950’s because of the need to create teaching courses in Flemish.

As might be expected, the US Government exploited these statistics in order to ‘prove’ the usefulness of exchanges to the country’s foreign policy and the appropriate execution of its purposes in Belgium. Several reports linked the future academics’ sojourns in the US with their general approval of US policy. Senator Alexander Smith of New Jersey, one of the sponsors of the Smith-Mund Act which extended the scope of the Fulbright Exchange Program to nonstudents, asserted: “this record of the relationship between the United States and the brave little country of Belgium points the way to effective understanding and cooperation among all the freedom-loving countries in the world”. He also of course mentioned the contribution that the BAEF had made to Belgian public administration, with three fellows being former or current Prime Ministers (Paul van Zeeland, Gaston Eyskens and Jean Van Houtte, the PM when Smith was writing). Other reports claimed that the BAEF’s achievements were especially noteworthy because Belgium was “a country proud of its academic superiority” whose people “[did] not make friends quickly”. Nevertheless, US information programme personnel in Belgium were quite aware that the Foundation strictly limited its candidates even within the four Universities.

During World War Two, several Belgian scientists fled across the Atlantic and took posts at American universities alongside other European exiles. According to an Office of Special Security list, no less than 86 “Belgian scholars and experts” were recorded as living in the US at this time, mostly in New York. Not all were political exiles (for example, former BAEF fellow Robert Triffin was already an instructor at Harvard and had been a member of an American scientific commission), while few had benefited from BAEF assistance. One of this group, Henri Grégoire, professor of Byzantine history at the University of Brussels, was able to convince other French and Belgian scientists to create
a specifically French-speaking institution in the heart of New York at the New School for Social Research. The Ecole Libre des Hautes Études was founded in late 1941 with the support of de Gaulle and Spaak, and lasted until the end of the war. Grégoire vainly tried to keep the institution permanent after he became president of the Ecole in 1944, but the majority of the professors regained their original tenures in Europe where they kept mostly good contacts with their American counterparts.

**THE POST-WAR SITUATION**

Quite soon after the war, as the US Government finally decided to elaborate a specific foreign cultural policy, the State Department started to extend the exchange canal to non-students and to develop it along explicit political lines. The 'Leader Grants', as they were called, were individual invitations, issued under the Smith-Mundt Act of 1948, to politicians, union representatives, journalists and artists, in order to send them to the US and let them get a “full and fair picture” of the country. During the 1950's, the US Embassy in Brussels contacted some fifty personalities. Analysing the characteristics of the Belgian politicians involved shows that the Americans were interested in three distinct themes: education, European integration and colonial policy. A special committee including delegates of the Marshall Plan administration (ECA) and the information service of the Embassy carried out a very careful selection process. The grantee chose the specific route of his or her journey in close collaboration with US officials, and spent on average two months overseas. After the visit, a Personal follow-up was organised in order to assess how it had impacted on the individual's opinions.

Of course, these special grants did not impede the success of other exchange programmes; in the eyes of the State Department, it was just a question of broadening the range of target groups. The general qualification of the potential exchange candidates was that they were 'opinion molders': they were expected to spread their (favourable) impressions from within their respective social environments. The idea here was based explicitly on Lazarsfeld's two-step model describing the reception of personal messages in the flow of mass communication. However, prior to their induction on this scheme, Belgian grantees were expected to be already convinced of US objectives and their usefulness for Belgium. Of course, such a bias was not always openly acknowledged. Thus, the US Embassy in Brussels was quick to comment on a poll of 300 Belgians from the same social-economic class (professional, academic and business life), of whom half had gone to the US with a scholarship or study grant. For what this showed was that while 42.7 per cent of the grantees answered that US foreign policy sincerely embraced justice and freedom, only 25.8 per cent of the non-grantees thought the same. According to the latter group, the key factor was wholly (40.1 per cent) or partly (32.7 per cent) what American business demanded.

In spite of their fundamental flaws (confusion of purpose, ignorance of the interviewees' opinions before their stay overseas), such polls seemed to confirm the value of all exchange programmes. They also helped highlight previous accomplishments, a point that US representatives in Brussels were eager to underscore:

> If Belgo-American relations remain untroubled in a troubled world, if Belgium has been a constant supporter of American foreign policy objectives, if delicate problems concerning strategic materials have been settled in an atmosphere of friendship, we can attribute these results, in part at least, to the knowledge that
Belgian leaders have of the United States, and the confidence they feel in us after having spent formative years in our universities.14

The signing of the Fulbright Exchange Program between the United States and Belgium in October 1948 was clearly meant to bridge the alleged sociological gap and “reach a wide cross-section of the population”. In a letter sent to William Fulbright, Herbert Hoover stressed the opportunity for the future ‘Fulbright Commission’ to collaborate (and indeed merge) with the BAEF, and Fulbright was certainly very aware of Hoover’s recommendations at the start of his project.15 However, Hoover’s proposal was rejected for an obvious reason: as a public project, the Fulbright Program had to be partly run by the State Department, and had to evolve with the re-shaped objectives of post-war US foreign policy. Intellectual co-operation was becoming a central feature of the political relationships between countries. This was also highlighted by the fact that the Americans refused to share research information with some Belgian scientists because of their political opinions (for example, the nuclear physicist Frans Van den Dungen, from the University of Brussels in 1948), and even prevented American Fulbright grantees from pursuing their research with known communist professors (as in the case of the biologist Jean Brachet).16

Nonetheless, the emergence of the Fulbright Commission gave the Belgian-American exchange programme a decisive impetus. Between 1946 and 1960, 691 Belgians received grants from one or other of the associations. At first sight, BAEF maintained its pre-war tradition of focusing on academics: of the 200 graduate fellows it supported during this period, 104 became university professors, 41 in the medical sciences. However, the overwhelming emphasis on medicine was soon to be eroded. A detailed breakdown for the period 1950-1980 shows the growing importance of future and/or present academics in the natural sciences (physics, biology, and chemistry) and, above all, in the applied sciences.17 BAEF scholarships to those in medicine fell from some 35 per cent of total in the inter-war years to roughly 25 per cent; the number given to natural scientists remained constant at 20 per cent; whilst those given to engineering departments increased to 25 per cent (and 30 per cent in the 1980’s). Even disciplines like the social sciences, economics and law gradually became more important.

But perhaps the most interesting finding that can be drawn from these data is the fact that an increasing and steady flow of BAEF fellows no longer concentrated first and foremost on targeting university positions. Some caveats must be entered: the evolution of the total flow of fellowships partly reflects the BAEF’s internal financial history, while the figures do not include the most recent university appointments. Yet even so, it is clear that the while global population of fellows grew at a constant rate from 1975 onwards, the contingent of future academics largely stagnated (see Graph 2). Present/future academics received 43.4 per cent (455/1048) of the total BAEF scholarships awarded between 1950 and 2000; but between 1975 and 1990 the comparative figure was only 29.9 per cent (136/455).
American study trips were attracting a wider range of ambitious students willing to reach upper social-professional standings in order to differentiate themselves from ordinary college students. The democratization of universities – occurring in Belgium from the early 1960's onwards – did not provoke much of a shift in BAEF policy. In fact, the connotation of prestige linked to the institution, as well as to complementary studies in American universities in general, bred a trend toward diversification among the scholarship candidates, on the one hand, and a sense of specialization in the professional field, on the other. This situation became obviously visible in the 1980's, when fellows were being recruited by the same few prestigious companies, law firms, and consultant offices. As part of the second, and indeed third, generation of BAEF fellows, they inevitably benefited from the presence of alumni in senior positions. This concrete situation of networking, more than the alleged impact of actually visiting the United States (which was largely a matter of wishful thinking contributed to creating a favorable atmosphere for adapted Americanised’ interactions.

ILLUSTRATING THE WEB-SYSTEM: THE CASE OF THE PRODUCTIVITY CAMPAIGN AND THE TRAINING OF MANAGERS

At the end of World War Two, US grantees had already reached numerous leading positions in Belgium. The immediate post-war period, however, turned out to be a decisive moment for economic and political collaboration between the two countries. American officials called for better labour productivity in all European countries as a mean to recover promptly from the disastrous economic situation. But the productivity campaign launched within the framework of the Marshall Plan also involved social and political dimensions that needed specially adapted co-operation with local partners. The Marshall administration in Brussels believed that a handful of Belgian alumni could play an important role in transmission, although their relations were punctuated by misunderstandings, which in the end hastened the failure of the whole idea.

Because Belgium’s industrial apparatus was not as damaged in 1945 as had been the case thirty years before, the country was able to carry on its economic activities while other
countries were still only slowly recovering. Taking advantage of this situation, it was obvious that at the same time "Belgium had reduced its own need for further American assistance". Hence the decision of the National Advisory Council not to waive the country's obligation to pay counterpart funds for the organization of technical assistance project. What was called the 'Belgian miracle' brought about a paradoxical co-operation with the ECA Mission in Brussels, also visible on the diplomatic stage. Foreign Minister Paul van Zeeland, BAEF fellow in 1920 and praised as the archetypal success story of the Belgian-American exchange programmes, deemed it "unfair" that Belgium should be disadvantaged because of its sound financial conditions. In the end, van Zeeland's pleading proved convincing enough for Belgium to be given an "extraordinary" $100,000 fund for technical assistance without counterpart, and in addition to the few previous programmes that had already been implemented. As Jonathan Flehmreich correctly points out, these diplomatic tensions "were minor blemishes in a relationship otherwise a picture of health".

The real breakthrough, however, occurred because of personal initiatives. Gaston Deurinck (1922-2000), a young civil engineer freshly graduated from the University of Louvain/Leuven in 1947, was advised by one of the most influential industrialists, René Boël, to pursue his studies in the USA in order to compare the levels of productivity between the two countries. His M.A. in Economics focused on the problem of measuring productivity statistically, and benefited from the assistance of the Bureau of Labor Statistics. Back in Belgium, Deurinck could not convince the Ministry of Economic Affairs of the usefulness of his work, although its General Secretary, Jean-Charles Snoy, had also studied at Harvard with BAEF in 1930. However, Deurinck was finally hired by the Federation of Belgian Industrialists (FIB), where he started to collect information from various factories. At the same time, American delegates were fostering the creation of national productivity centres throughout Europe under the Benton-Moody Amendment; eleven countries (of the sixteen which received Marshall Aid) were about to have their own in the autumn of 1950. That was the case in Belgium, as Deurinck managed to organise the Belgian Productivity Centre (CBP) within the framework of the FIB. Despite strong American recommendations, it did not integrate unions in its structure, and although it aimed to fulfill all the objectives assigned to a traditional productivity centre, the CBP did not benefit from ECA funds. Under the threat of bankruptcy and after a year of prevarication, the employers finally agreed to operate on a joint basis with union representatives. A new name was chosen, the Belgian Office for the Increase of Productivity (OBAP), while US consultant teams were brought in to assess whether Deurinck was capable of maneuvering the whole enterprise. Like other similar centres, the OBAP organised a series of productivity missions to the United States drawn on the model provided by the Anglo-American Council on Productivity since 1948. More than twenty mission teams were put together, drawn from those sectors that were affected most by technological and organizational shortcomings. Just as in France, the greatest discovery of the Belgian 'missionaries' was the apparently harmonious human relations that existed in American plants. The first Belgian initiatives, however, occurred as early as 1950, and focused on trade unions, on the one hand, and the iron and Steel industry, on the other. The president of the Steel branch, Léon Bekaert, who incidentally became president of the FIB two years later and enjoyed a great reputation among managers, inspired the latter. He also firmly supported the
creation of the OBAP and headed the Belgian delegation to the First International Conference of Manufacturers held in New York in 1951, which was code-named ‘Operation Impact’ by its organisers. Bekaert was early on eager to build up concrete industry-university collaboration and clearly advocated the university-based option in the implementation of post-experience management education. His personal connections with the Belgian catholic milieu and the University of Louvain/Leuven proved useful in this project. As to union leaders (such as Paul Finet, Jef Rens and Louis Major from the socialist organization, and August Cool from the catholic one), they kept good relations with their American colleagues. In this sense, and unlike in France, labour cooperation within the Marshall Plan was not going to generate a cote problem for ECA officials. Tensions did arise, on the other hand, as soon as the early dynamics of the joint representation within the OBAP were eroded after the first signs of national economic slowdown.

In spite of the various activities that the OBAP organised under Deurinck’s leadership, conflicts between employers and union representatives were endemic. A Joint Declaration on Productivity was signed in May 1954, and this paradoxically still stands as a model of a pragmatic social partnership. But for the most part relations were fraught. Meanwhile, Deurinck had already sought an alternative as he strengthened links with university professors in order to set up seminars for managers. These were at the time being promoted by the European Productivity Agency, after the International Committee of Scientific Management had organised a large congress in Brussels during 1951. The OBAP’s ‘academic shift’ started in 1953, and became concrete with the launching of the Inter-University Program of Business Administration, which brought together four (and later five) young professors more or less acquainted with US methods of business training. It aimed to organise fixed training sessions for middle and top executives in each ‘university training centre’ (which were to be relatively independent from their respective institutions). At first, however, some industrialists questioned the role of the universities in the programme and advocated the model of a private institution with narrow links to business circles, like the French Research and Study Center for Managers in Jouy-en-Josas. A special committee of entrepreneurs finally endorsed the university-based training project backed by Deurinck, Bekaert and the academics, paving the way for an assimilation of US educational frameworks in an economic perspective.

After having unsuccessfully sought the collaboration of the BAEF in order to implement transatlantic exchange programmes in advanced management courses, Deurinck not only relied on the BAEF’s methods, but also surrounded himself with BAEF fellows, including Stefan Cambien (1925-1988), one of his closest advisers, who had obtained an MBA at Harvard. With the unions brushed aside, and the benefits of a growing partnership between employers and academics, there was little to hinder a new orientation, and so the Industry-University Foundation (FIU) emerged in February 1956, with Bekaert as chairman and the Board of Directors open to Belgium’s leading industrialists (including representatives of holdings). Deurinck was determined not to repeat the mistakes made with the OBAP. Faced with a lack of educational infrastructure in Belgium, the FIU’s first task was necessarily to train the future trainers. The assistance of the Ford Foundation was immediately requested in order to cover part of the dollar costs involved in training lecturers in the United States. At this time, the Ford Foundation made a “big push” to enhance the organization of business education, in the US as in other countries. It was seduced by Deurinck’s original ideas in this area. Instead of sending a group of trainees to
the same university, the FIU opted for an exchange programme in different institutions on an individual basis. On their return, the beneficiaries would act as teaching assistants or supervise the elaboration of the few Ph.D. programmes in the four centres.

23 The Ghent training centre was by far the most dynamic. At its head, André Vlerick (1919-1999) was the first to propose study courses for recently graduated students. He was approached by Berenschot, the founding father of the originally Dutch-sponsored Inter-University Contact for Management Education to take over its presidency. From 1959, he established a skeleton MBA programme within his Centre of Productivity Studies and Research. The outlook at the FIU was such that this initiative was considered a “marginal activity” by the organization’s members. Industrialists wanted first of all to focus on the training of experienced managers. But the influence of American management education models reappeared clearly on several occasions at the Board. In October 1965, one of Belgium’s leading industrialists, Daniel Janssen, who had just received his MBA from Harvard, advised Deurinck of the advantages of setting up an independent business school. He was severely criticized by academic members (Cambien even spoke of “Harvardisation illness”) while managers seized the opportunity to reconsider the university-based option. In the end, Janssen’s advice proved influential, as it led, somewhat ironically, to the strengthening of direct negotiations with universities through the integration of training centers. The real reason that pushed the Belgian industrial world to support this decision can be explained by a medical metaphor (frequently evoked) -the observation that medical studies did not develop scientific knowledge just because patients entered the university System. In other words, by finally endorsing the university-based option, industry had “a powerful instrument to bring changes about in basic university education and to improve the university preparation of future managers”. 30

24 Later on, following its European Doctoral Fellow Program, of which the FIU took wide advantage, the Ford Foundation would back Deurinck’s project for a European Institute of Advanced Studies in Management, based in Brussels and functioning as a European hub of doctoral programmes in management. This initiative aimed to ‘internalize’ management education within the traditional academic network on a European scale. 31 Its Belgian equivalent, the Inter-University College for Doctoral Studies in Management (CIM), created in 1969, also echoed Deurinck’s principle of strong interaction with local universities in the teaching of business education. Relying on several European networks that Deurinck had built over the years, the FIU also had to face competition from American-based business schools willing to settle in Europe, such as the Harvard Business School (HBS). The first option of the HBS had been to operate on a joint venture basis with the best European training centres, creating what would have been called the Center for Innovation in Top Management Training based in Brussels. But confronted by the lack of case studies about European firms, the prestigious American school finally decided to create a new institution, specializing in teaching managers from large multinationals, and based in Switzerland. Though HBS emphasised that it aimed to “complement programs underway in Europe”, 32 it faced much opposition from partners that were otherwise frequently at odds.

25 In the 1970’s, competition between European schools delivering American-styled management education degrees (for example, INSEAD at Fontainebleau) became ever more intense. The historian Robert Locke considered that CIM “probably mounted the most direct European appeal to American business school expertise”. 33 Soon, departments
of economics proposed their own MBA programmes taught in English and based on American management literature, for example at the University of Leuven in 1969, or at Ghent, with the Vlerick School for Management Studies, named after its founder (these programmes eventually merged in 1999). National appropriation, however, was not going to replace the prestige of American institutions, and, consequently, the ‘canal’ of educational exchanges. In spite of the presence of European institutions in the international business education ‘market’ (or, actually, because of it), American universities still remain the major pathway to high professional positions in European companies. From the mid-1960’s an increasing number of European students participated in business studies courses overseas, especially at graduate level. This trend is illustrated by the dramatic expansion of BAEF fellows opting for MBA programmes (105 since 1989, representing almost 20 per cent (105/568) of the total). This represents another illustration of the increasing phenomenon of collusion between education and professional milieus as assimilated from the United States.

CONCLUSION

26 This overview of the development and long-term effects of the exchange programmes between Belgium and the United States must necessarily be limited in scope. Much of the flow of members of the Belgian elite who attended, one way or another, university courses overseas remains invisible. However, by tracing the trajectory of some alumni through their social or professional positions, it is possible to identify a clear series of overlapping networks of personal acquaintance, whose dimensions should not be underestimated in such a little country as Belgium. The BAEF’s impact as a ‘canal’ of American influence is especially important in key departments of Belgian universities, economic research centres and commercial schools. But the field had already been prepared through early transatlantic exchanges. At the University of Leuven/Louvain, the foundation in 1928 of the Institut des Sciences Economiques, specializing in business cycle analysis, was due to Paul van Zeeland and Léon-H. Dupriez (Harvard visiting professor during World War One). It somehow reflected, thirty years later, the setting-up of the Centre for Operations Research and Econometrics by Jacques Drèze, also a former BAEF fellow, who kept good relations with the Chicago Business School and convinced the Ford Foundation to help fund his centre.

27 However, though the exchange programmes with the United States were in many ways impressive, they did not generally succeed in breaking up the so-called ‘inbreeding’ of the Belgian academic structure. After some months of specialization abroad, most of the young scientists returned to their mother universities and awaited tenure. On this point, the US exchange programmes have not brought much change right up to the present day. Nevertheless, on the other hand, they did certainly provide what Matthias Kipping terms “connectors”, spread across various cultural territories in the country. As partners in Consulting companies playing the role of potential clients in another country, alumni are expected to mediate American schemes among their respective citizens. The example of the Belgian ‘academic entrepreneurs’ (examined by Van Baalen) shows that mechanisms of transfer are not very potent if they merely operate on a single (one-to-one) basis, nor do they bring out clearly the content of the Americanisation of the cultural codes at stake. As vectors, institutional practices, much more than individual initiatives, produce effective signs of influence. The real breakthrough of the US cultural
transfers only occurred in Belgium through their progressive grafting on to local society, with the underground action of key elements of the traditional elite. Such a process was already firmly fixed in the national habitus since it stems from ancient educational needs in a time of specific social rigidity. It doubtless helped to configure the economic structural symmetry between the United States and Europe.

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NOTES

1. I would like to thank Ginette Kurgan, Serge Jaumain and Nick Tiratsoo for their useful comments on earlier drafts of this paper, and Anne-Christine Roisin for her assistance in the handling of the statistical data.


5. a) One should bear in mind that the statistics are based on the total number of BAEF fellows and not on the number of scholarships granted (most of the time to future academics), b) In 1922, a special ‘Child Health Teachers’ programme ran, with 13 female instructors.

6. 5 May 1953, Decimal Files (D.F.), 511.553/5-553, Record Group 59 (State Department Central Files), National Archives Record and Administration at College Park, MA [hereafter NARA],

7. 16 May 1951, D.F., 511.55/5-1651, R.G. 59, NARA.

8. August 1942, Research and Analysis Branch Division, Intelligence Service, box 152, R.G. 226 (OSS), NARA.


11. Based upon material in D.F., 511.553, R.G. 59, NARA.


13. 8 August, D.F., 511.553/8-852, R.G. 59, NARA. The poll served as basis for a broader study headed by Professor O.W. Riegel, which was published as Cultural Contact Projects: An Evaluation of the Long-Time Effects on International Educational Exchange in Belgium, Princeton, PUP, 1959.


17. Based upon updated versions of the BAEF Directory for Belgian fellows.


26. Three of them had direct study experience overseas: C. Mertens de Wilmar (U. of Louvain/Leuven) was a BAEF fellow (Harvard 1949-1951); R. Clémens (U. of Liege) had conducted research at various American universities with BAEF in 1951; and A. Vlerick (U. of Ghent) took part in the Harvard International Seminar of 1953.


29. D. Janssen to G. Deurinck, 15 October 1965, Fonds de la Fondation Industrie-Université (FIU), A 350, box 5, Archives Générales du Royaume, Brussels [hereafter AGR].


32. G. Lombard (HBS Associate Dean) to G. Deurinck, 26 August 1971, FIU, box 27, AGR.


À la suite de l’institutionnalisation précoce des échanges éducatifs entre la Belgique et les États-Unis—le rôle de la Belgian American Educational Foundation est ici esquissé—, s’est constituée une plate-forme de personnalités aux trajectoires diverses disséminant dans la sphère économique, sous le coup de relais locaux, certains vecteurs culturels d’origine américaine. Il s’agit de montrer que ces transferts puisent leur origine dès l’Entre-deux-guerres et ne peuvent s’appréhender sur le mode individuel. Une application concrète de ce schéma est observée lors du processus d’introduction des sciences de la gestion dans les universités belges, grâce au concours de la Fondation Industrie-Université et de ses ramifications européennes.

AUTHOR

KENNETH BERTRAMS

Université Libre de Bruxelles
Twenty years after': were the big French industrial enterprises still following American patterns in the mid-1970s?

Pierre Lanthier

1 During the 1950s, French industry, through numerous productivity missions sent across the Atlantic, paid great attention to the organization and the methods of production and commercialization prevailing in the United States. There is no doubt that the French, who had much difficulty rebuilding their economy after the War, were eager to follow what was then considered to be the only way to avoid chaos and communism. The American model was ideological as well as organizational. Was the situation similar two decades later, at the end of the “Trente glorieuses”?

2 The American way of producing and marketing was very present in the mind of French political and economic leaders. But its features were no longer those of the 1950s. The notion of productivity was long assimilated. Measuring everything and making ratios out of every aspect of the production was viewed as something self-evident, not to say a bit dépassé. Moreover, the crusade aspect given to productivity had disappeared. The fight against communism had moved outside Europe and it did not focus on production methods anymore. In fact, the situation was reversed. In the mid-1960s, West Europeans feared an ‘invasion’ from American multinationals more than from Soviet troops. In 1967, a book was published that became an instant bestseller: *Le défi américain*, by the journalist and politician Jean-Jacques Servan-Schreiber. This essay had a simple message: the Americans were leading the world because of the better organization of their business and the superior training of their businessmen. The French should pay attention to the way Americans functioned if they did not want to be at their mercy. They should abandon their Colbertiste attitude (praise for authority and hierarchy along with excessive dependency on the State) in favor of a new policy: management and its corollary, the decentralization of decision making.
In the early 1970s, the word Americanization was not much in use in France. Contacts with the USA did not mean systematic and blind imitation of what went on the other side of the Atlantic. It meant familiarity with the American experience, understanding the basic concepts, and using the same vocabulary. French business literature dealt regularly with the many (and often conflicting) schools of management existing in the USA; managerial gurus like Peter Drucker, Sterling Livingston, David Ogilvy, and Bruce Scott, to name just a few, were regularly quoted and interviewed. Words like management, marketing, consumerism, and brainstorming were not even translated: they belonged to the common language of French business administration. The economic and financial press moreover praised not only adapting, but also competing with the various American models.

But the question remains: to what extent did this new discourse correspond to new practices within French enterprises? Actually, interest in Americanization echoed major changes in business organization. From the mid-1960s to the oil crisis of 1973, top French firms and groups witnessed one of the most important waves of concentration and restructuring in their history. This chapter will examine this process through the analysis of the policies adopted by the 20 most important enterprises and groups in France in 1976. These companies are: Electricité de France (EDF)*, Compagnie française des pétroles (CFP)*, Saint-Gobain-Pont-à-Mousson (SGPM), Rhône-Poulenc, Péchiney-Ugine-Kuhlmann (PUK), Michelin, Gaz de France (GDF)*, Shell française, Sacilor, Denain-Nord-Est-Longwy (DNEL), Peugeot-Citroën, Imetal, Renault*, SNCF*, IBM France, SEITA*, Compagnie générale d’électricité (CGE), BSN-Gervais-Danone, and Esso sa. Using these examples, we will pay attention to the factors encouraging change and we will describe the nature of these transformations.

THE FACTORS BEHIND INDUSTRIAL CHANGE

It would be an oversimplification to assume that French industry blindly followed American schools of management irrespective of the economic situation. The change that occurred after 1964 was too important to be attributed exclusively to some fashion in managerial thought. Other factors intervened in a more fundamental way. Four of them deserve to be mentioned: the impact of the European economic union, the public sector’s policies, the growth of mass consumption, and the maturation of old industrial sectors.

The Common Market was only ten years old at the end of the 1960s. And yet, its influence on French external commerce was significant. In 1959, French exports were valued at 27.7 billion francs; in 1975, at 223.3 billion! Between these two years, the volume of French exports tripled, making France the world’s fourth largest exporter in 1975, after the USA, West Germany and Japan. The same year, the nine countries then forming the European Union received 49.2 per cent of French exports, as opposed to 31.1 per cent in 1959. The role played by the Common Market can be seen in the foreign activities of our 20 groups and companies. The percentage of foreign activities in total sales in 1973 was, for the majority of them, in the double digits. Groups such as Renault, Peugeot, Michelin, Imetal, PUK and CFP made more than 40 per cent of their sales abroad. Direct exports were still predominant in these activities, especially for groups like DNEL and IBM France. But for an increasing minority including SGPM and Michelin, sales made by foreign subsidiaries were more important than exports. The sudden expansion of foreign markets gave a solid impetus to the concentration and reorganization of firms.
And yet, this factor was far from being the only one. After all, the percentage of exports on GDP grew from 13.8 per cent in 1959 to only 16.9 per cent in 1974. The interior market remained the most vital for French business. And among the factors that stimulated this market, the role played by the public sector must be stressed. The State had significant control of the economy through the nationalized enterprises. According to OECD statistics, during 1965-1970, the public sector in France employed 12 per cent of the active population and generated 11 per cent of sales. More importantly, it was responsible for 33 per cent of national investment. For a group like CGE, 25 per cent of whose sales originated in the public sector in 1972, these investments stimulated organizational restructuring and new industrial agreements with competitors.

The public sector also encouraged regrouping in the private sector. The State pushed Wendel-Sidelor and Usinor to associate together in the Steel complex at Fos, and in exchange agreed to lend 2.6 billion francs for its construction. In 1966, France proceeded with its 'Plan Calcul' in order to insure the autonomy of the French computer industry. This Plan encouraged industrial groups like CSF and Thomson to merge in 1967 and, along with CGE and Schneider, to create a joint venture that benefited from the financial help of the State (via the Compagnie internationale pour l'informatique) in order to compete with IBM and other American multinationals. In 1966, again, Wilfrid Baumgartner, previously Minister of Finance and then PDG of the group Rhône-Poulenc, had been asked by the State to restructure the French chemical industry. In 1968-1969, it was decided to distribute the different specialties among some companies, public as well as private. Through this process, Rhône-Poulenc acquired firms like Pechiney-Saint-Gobain.

A third factor for industrial restructuring was the growth of mass consumption. From 1949 to 1979, the standard of living tripled, a growth that was as sudden as it was impressive. Immediately after the War, France was slow to follow the rest of the West in developing mass consumption. But after 1960, its catch up was tremendous. To give a few examples, GDF sold 65 billion thermies of gas in 1971 but 140 billion in 1973; while the French annual production of tires grew from 25.8 million in 1968 to 41 million four years later. And yet, in the early 1970s, France was still behind its northern neighbours in fields like household appliances. In 1972, some 150,000 hi-fi systems were sold in France, as opposed to 600,000 in Germany. There was still room for development.

This sudden increase of mass consumption in France gave the country a boom in retailing business. As in North America, popular stores and supermarkets spread throughout the regions. In 1973, there were some 4,500 department stores in France with total sales of 77.5 billion francs, which included 277 hypermarkets like Carrefour and Euromarché (26.7 billion F); 3,000 supermarkets like Viniprix and Leclerc (28.6 billion F); 318 ‘grands magasins’ like Lafayette or Printemps (16 billion F); and 761 popular stores like Prisunic (13 billion F). Besides these stores, there were some 2,100 superstores specializing in household products such as furniture (Conforama), electrical appliances (Darty), and books and records (FNAC).

Finally, the maturing of old industrial sectors also played a part in the regrouping of French industry. Sectors like Steel, which up to recently had been dominated by Nineteenth Century bourgeois families, now were forced to contemplate mergers in order to survive. With the help of the State and after long negotiations, these companies joined together to become giants like Sacilor and DNEL. Taken as a whole, French industry’s markets witnessed major transformations that demanded similar strategic and structural changes within a period of only a few years.
The adopted strategies reflect the impact of the new market situation. Before the War, vertical integration prevailed in France. There had been for sure numerous cases of horizontal integration, but they were risky and unstable. After 1945, and more so after 1960, the new markets gave a strong impetus to finished products, be they destined for mass consumption or for collective equipment. However, the push forward was not itself a sufficient reason to adopt American strategies of development. In the United States, the growth of such markets has been gradual since World War One. Considering that many of these markets reached maturity and could be renewed only through the constant creation of new products, American industry adopted diversification strategies for its expansion. By the end of the ‘Trente Glorieuses’, France had not reached that stage. The average Frenchman was far from having the consumption level of North Americans and his northern European neighbours. But he was catching up fast and consequently he provided a very promising market for French industry. The ideal would have been, then, to follow horizontal integration strategies that would eventually lead to diversification of product lines.

Among the enterprises we have chosen to study, some had achieved such an integration many years before. But for the others, the road was very long. And that explains why they took separate ways as far as integration strategies were concerned. Among them, only seven remained stable. They were either monopolies from the public sector (EDF, GDF, SNCF, Seita) or subsidiaries of foreign multinationals (IBM France, Shell France and Esso sa). The nationalized companies began their horizontal integration immediately after the war and the State of monopoly in which they were confined did not allow vertical integration or diversification. As far as the subsidiaries of foreign multinationals were concerned, they depended on the policies of the parent firm.

But the majority of the big companies underwent major changes in their orientations. Out of the 20 in our sample, thirteen acquired or disposed of branches through mergers, absorptions, or transfers after 1960. Among them, three were from the public sector and ten from the private sector. More importantly, they all shared the fact that they belonged to oligopolies and that they wished to increase their part of the market by getting closer to it, some through vertical integration, and others through diversification. According to the distance they had to cover to reach these markets, groups and enterprises would adopt different strategies.

Companies dealing with the first transformation of raw material tended not develop strong vertical integration. They had already reached economic maturity and the best they could achieve was horizontal merger followed by rationalization and modernization. This was the case with the Steel industry. Since 1945, the various companies forming this sector had gradually merged to finally form two big groups, Sacilor and Denain-Nord-Est-Longwy (DNEL). Many of the absorbed companies came with vertical connections, but on the whole they made a point of separating Steel production and its transformation. DNEL, for instance, consisted of two different units, Usinor, which absorbed many Steel firms from 1948 to 1964, and Vallourec, a pipe producer which exported 80 per cent of its production and was created in 1957 from the vertical connections of Usinor. The two units worked separately within the same group. But the most decisive move, at the end of the 1960s, was the rationalization of the Lorraine Steel industry and the construction
of a modern Steel complex at Fos, on the Mediterranean. Both Sacilor (which originated from the merger of Wendel-Sidelor with the Compagnie mosellane de sidérurgie in 1973) and Usinor agreed, alongside the French Government, to participate in this project. Horizontal integration was the main policy. A variation on the same theme was made by Imetal, a holding created in 1974 to regroup Le Nickel-SLN, Pennaroya and Mokta, three non-ferrous mining companies with more than 70 subsidiaries in 16 countries, each specializing in distinct metal production (nickel, uranium, copper, etc.). As one observer put it, Imetal was a case of “horizontal diversification”, where each autonomous sector helped the other financially.

A more complex situation occurred in the Chemical, electrical manufacturing, and electrometallurgical sectors. Represented by Saint-Gobain-Pont-à-Mousson, Rhône-Poulenc, BSN-Gervais-Danone, Compagnie générale d’électricité, and Pechiney-Ugine-Kuhlmann, these had not reached their maturity yet. The new markets offered them many possibilities, so much so that their strategies were marked by uncertainty. A new process could threaten their position, a new market could encourage them to integrate vertically. Actually, diversification and, within this process, vertical integration towards finished products, was used by all. And as the names of these groups suggest, they were all the results of mergers. Their recent history was a mixture of regrouping under the influence of the government, as was the case with Rhône-Poulenc; of vertical restructuring, like Saint-Gobain with Pont-à-Mousson in 1969 towards building materials; agreements with the competitor, like CGE with Thomson in 1969 in what was called the ‘petit Yalta’; or limited diversification with parallel vertical integrations, as was the case with the series of mergers, from 1966 to 1971, between Pechiney, Trefimétaux, Ugine-Kuhlmann and Produits Azotés. An interesting case was BSN: this resulted from the merger in 1966 of Boussois (a glass manufacturer) with Souchon-Neuvesel (in packaging), and then the takeover of Gervais-Danone (a food producer) in 1972, after a failed bid to gain control of Saint-Gobain in 1968. This vertical integration permitted the group to get closer to the mass consumption market. In 1975, the food division accounted for 57 per cent of the group’s Consolidated sales, as opposed to 27 per cent from the glass division and 16 per cent from packaging.

The oil and gas industry, represented by the Compagnie française des pétroles, Elf-Aquitaine, Shell française and Esso s.a., was more stable at this time. There were no major mergers in three out of the four groups. Only Elf-Aquitaine was the creation of a merger, the child of two public companies, the Société nationale des pétroles d’Aquitaine and Entreprises de recherches et d’activités pétrolières, which, in 1976, wanted to intensify research and activities outside France. It is interesting to note that these two State controlled companies associated to create ATO in 1971, and launched joint ventures with other French groups (like Imétal for Aquitaine in 1974, or SGPM for CFP, with Carnaud-Total Interplastic, also in 1974). Although their main activity covered the oil industry from extraction to distribution in gas stations, they were also interested in petrochemistry and research for new products, and as a result looked for collaboration with the private sector, with the full encouragement of the government. On its side, Esso s.a. had a subsidiary, Esso Chimie, but its main activities were oriented towards oil production, refinery and distribution; the same applied to Shell française.

And finally, the companies specializing in services (EDF, GDF, SNCF) or finished products (Renault, Peugeot-Citroën, Michelin, Seita, IBM France) opted for horizontal integration. The public companies had integrated a long time ago. The two automobile companies had
a limited diversification: 87 per cent of Peugeot’s sales in 1971 and 81 per cent of Renault’s sales in 1974 came from the automobile sector. In fact, the most significant merger was the absorption of Citroën by Peugeot and Berliet by Renault. The case of Michelin is most significant here: this company, as we know, had given up on vertical integration in order to expand further abroad. Thanks to the radial tire, this group was able to compete successfully with its American competitors and it became a multinational. In fact, Michelin acted as a leader for a new generation of consumer oriented companies in France. Firms like Rossignol (skis), Bic, Moulinex, and SEB (tefal), were very successful inside as well as outside France. Their expansion was recent and horizontal. Some of them diversified but into neighbouring product lines. Rossignol started producing tennis rackets, while Bic added disposable lighters and razors to disposable pens. The dynamism of consumer markets gave young entrepreneurs the opportunity not only to exploit such opportunities, but also expand abroad.

It is interesting to see how the development of French industry during this period benefited French multinationals. Considering the importance of exports, as we have already seen, it was inevitable that French industry would implant subsidiaries abroad. Among the 20 groups, only five did not have foreign subsidiaries; four had fewer than five; another four had between ten and 19; and seven had 20 or more. Some groups, like Michelin, CFP and Imetal, had more than 50 per cent of their subsidiaries outside France. But creating a subsidiary in the USA remained secondary compared to investing elsewhere in the world. Seven of them did not have any American subsidiary, while all the others had fewer than five. French industrial strategies had been influenced more by market possibilities than anything from America. However, the same cannot be said about structures.

THE AMERICANIZATION OF THE FRENCH HOLDING

If business strategies depend primarily on the nature of the market, business structures are more open to managerial schools or fashions. And yet when we examine where the big enterprise leaders studied, we have to admit that very few of them went to the USA to receive an education. In 1973, the top executives were still graduating from the French Grandes Écoles, and especially from Polytechnique and Sciences Po. Businessmen like Claude Etchegaray, PDG of LMT-ITT, who combined his Polytechnique background with a diploma from the Harvard Business School, remained the exception. On the other hand, the majority of this group had an education in more than one École. Many attended two different schools like, for instance, HEC and Law. This generation of top executives had a better education than its predecessors, but this did not extend to the American schools of management or engineering.

Immediately under them, however, the situation was different. Many, like Roland Rieutort, director at Rhône-Poulenc, and Bernard Hanon, director at Renault, had direct experience of the USA: the first was previously vice-president at Mobil Oil, while the second taught at Harvard. The upcoming generation was familiar with the different American managerial schools. A transition seemed to be on the way. But interestingly enough, it was preceded by one aspect of Americanization that became standard practice in the French enterprise: the establishment of the executive committee.
French big industry had for a long time lived with a more decentralized structure than its American counterpart. It preferred holdings or firms with an elaborate network of subsidiaries to integrated companies with few subsidiaries. And this form of organization still prevailed in the mid-1970s. Among the 20 companies, only three had fewer than ten subsidiaries, five had between ten and 19, five between 20 and 99, and seven had 100 subsidiaries or more. IBM France had no subsidiary and was fully integrated. But it was alone of its kind among the biggest. Moreover, most had more than 10,000 employees, and seven exceeded 100,000. Considering the numerous mergers and restructuring that the majority had gone through over recent years, the necessity for some centralised decision-making structure became apparent.

As mentioned earlier, American management theories in the early 1970s promoted decentralization. Nevertheless, French businessmen were cautious about imitating their American colleagues too slavishly. When interviewed, some showed distrust towards what they called the 'American conglomerate', that is a diversified production unit under a decentralized structure of management and power. When asked if their groups were conglomerates, Ambroise Roux, PDG of CGE, and Antoine Riboux, PDG of BSN-Gervais-Danone, insisted on the necessity of a global policy with specific goals. They believed that a conglomerate was at best a transitory situation.

In order to keep the group's unity, most of them created a coordinating managing board, sometimes called 'comité exécutif' or more frequently 'direction générale'. Its functioning was similar from one group to the other: on the one side, there were the operating divisions, whose number varied according to the production lines of the group and sometimes with an additional division for a specific market abroad; and on the other side, there were the functional divisions like finance, marketing, research, engineering, and legal services. Only DNEL and SGPM did not have such an institution at their head. DNEL's two main components, Usinor and Vallourec, and SGPM's Saint-Gobain and Pont-à-Mousson, all had one each. Indeed, these groups never fully integrated.

But the other groups had a management board. The nationalizations following the Second World War gave French industry a coordinating structure over vast production units. Interestingly, the public sector did not hesitate to borrow ideas from American business organization. And for that reason, it played a key role in the Americanization of French industry. When it was created in 1946, EDF had to put together the techniques, traditions and organizations of 1,380 private companies. A 'direction générale' was set up in 1948, under the supervision of a board of directors. In 1975, it consisted of three operational and nine functional divisions. The private groups had coordinating units as well, but with different shapes and functions. In merged groups where integration proved to be difficult or feasible only in the long run, a 'directoire' was set up, under the supervision of a 'conseil de surveillance', and managed by three or four executives with often equal power. Such was the case at Sacilor and Peugeot-Citroën. Sacilor resulted from a series of mergers which began in 1950 and ended in 1973. It took many years for the Société des petits-fils de Wendel to associate itself with Sidelor and later with the Société moselane de sidérurgie. Family interests were still predominant. At the foundation of Sacilor in 1973, a decision was taken to create a 'directoire' consisting of a president, a general manager and an assistant general manager. In the case of Peugeot, the group adopted the 'directoire' formula in 1972. Two years later, with the absorption of Citroën, it adapted it to its new holding, PSA Peugeot-Citroën, and to its two major car subsidiaries, Automobiles Peugeot and Société anonyme Automobile Citroën. The
directoire System was a way of giving equality to the major partners in the group. It also fulfilled the same functions as a conventional ‘direction générale’, that is management of operational and functional divisions. In the case of PSA Peugeot-Citroën, its ‘directoire’ was responsible for two operational branches (cars and mechanical activities) and six functional branches (finance, legal services, technical services, external relations, planning and products, and secretary-general).\(^{38}\)

But more generally, the ‘direction générale’ gave some uniformity to diversified or recently merged groups. In both cases, a similar structure was adopted: at the top, a holding was created and its functions consisted not only of managing portfolios but also of coordinating the activities of the subsidiaries with the help of an executive committee. Two examples will illustrate this. First, there is the case of the Compagnie générale d’électricité (CGE). Formerly, it was an industrial company with many important subsidiaries. In 1968, it became a holding with a ‘direction générale’ federating more than one hundred subsidiaries. This direction had eight operational divisions, each of which gathered many subsidiaries under the leadership of one company. For instance, the electromechanics division, which accounted for 28.6 per cent of Consolidated sales in 1975, was headed by Alsthom; the telecommunications-electronics division, with 19 per cent of the sales, had CIT-Alcatel on top. These divisions were completed with functional branches consisting of Financial, commercial and research subsidiaries. CGE had a decentralized structure, with “véritables Etats dans l’Etat”.\(^{39}\) However, it kept full control over negotiations with the State and with competitors about big markets like nuclear power stations, railways, and telephones. Ambroise Roux, PDG of the group, behaved more like a diplomat than like an entrepreneur.\(^{40}\)

The second case illustrates the product of major absorptions or mergers: Rhône-Poulenc, a group with diversified activities in chemistry. Rhône-Poulenc s.a. was a holding created in 1961, which eight years later took control of two important companies, Progil and Pechiney-Saint-Gobain. With this acquisition, the group consisted of 182 firms. Its sales doubled and its diversification widened (naphtha, pharmaceutical, synthetic fabrics etc.). Soon restructuring became necessary. In 1973, Renaud Gillet was nominated PDG. Rapidly he imposed a new organization. He put an executive committee at the head of the holding, with eight operational and as many functional divisions. The new organization had difficulties in its implementation. It took a long time to marry the subsidiaries of the Chimique Rhône-Poulenc with those of Pechiney-Saint-Gobain. Many officers had to resign.\(^{41}\)

These examples emphasize the federating role of the direction générale over a group. It corresponded to the multidivisional aspect of the American group at that time and it contributed to transform the nature of the holding in France. However, the formula did not prove to be always successful. Tensions remained, and some divisions were neglected in favor of others. Time was required to achieve harmonization within. Yet in the long run, this System Consolidated the spread of management in France. The direction générale standardized the functions of executives, be it in the public or private sector, or even in non-commercial institutions. As a contemporary noted: In all cases, the economy is shaped by the unavoidable imperatives of advanced technology and by the organizational modalities of big enterprises. The classic prejudices of the ‘old’ textbooks of political economy and of the ideology of nationalization must make way for the conditions of a modem management of the enterprise (or the nation)...From this point of view, the differences between public enterprises and private enterprises are once again condemned to disappear.\(^{42}\)
It must be said nevertheless that management in the big groups collided with the other aspect of Americanization represented by the supermarkets. Tensions existed between manufacturers and the new type of shopkeepers. The grandes surfaces provided extended markets to mass consumption goods and services and, consequently, gave a greater autonomy to commerce in relation to industry. The manufacturers did not have ultimate control over the sale of their products. This new reality, in France as well as elsewhere, shaped managerial activities.

CONCLUSION

Americanization is not a process that repeats itself from one place or from one period to the other. As many scholars have noticed before, there were many adaptations to local realities, adaptations that permitted long run standardization of manufacturing and management activities, and consequently stimulated international trade. Moreover, Americanization changed with time. The case of France in the middle of the 1970s gives an interesting illustration of the process when it promoted management. France was late in introducing itself to mass consumption but its rate of catch up was rapid and sometimes spectacular. When added to the implementation of the EEC and the investment made by the public sector, it offered a vast market which pushed French entrepreneurs to undergo major concentration and restructuring, and to adopt the new formula of the holding cum 'direction générale'. That formula had similar functions to those of the executive committee in the American multidivisional structure.

Did the 1973 crisis stop the process? There is no doubt that the rise of oil prices slowed the growth of consumption, but only for a while. It is also true that the investments involved in the industrial restructuring and in the development of a national infrastructure inflamed financial instability in both the private and the public sectors. But corrections soon followed, such as anti-inflation measures and a stricter financial discipline. Actually, the 1973 crisis led to an adjustment following the excesses that a specific managerial approach had led the Western economy into. And if groups in France had to abandon expanding or diversifying projects, they nevertheless kept the managerial structure brought in during the 1960s and early 1970s.

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NOTES

1. In 1973, Roger Priouret noted that Jacques Borel, the owner of the Sofitel hotel chain and famous for his obsession with increasing his employees' efficiency, had the typical behaviour of the French entrepreneur of the 1960s, that is, of the American manager of the 1950s! (L'Expansion, May 1973)


3. This list has been established on the basis of the value of the shares and reserves, as compiled by L'Expansion, Spécial 5000, November 1976. The asterisk after the name of the group indicates that it is State owned or controlled.


13. Entreprise, 12 April 1974. During the 1960s, the average sales growth of GDF was 17 per cent (see A. BELTRAN and J.-P. WILLIOT, Le noir et le bleu. 40 ans d'histoire de Gaz de France, Paris, Belfond, 1992, p.246).


17. KIPPING 1996: 12ff.


27. In 1972, Michelin sold 35 per cent of the radial tires sales in the USA (Entreprise, 27 April 1973).


29. Annual reports of the concerned companies, ACL.


33. These figures do not take into account the numerous minority participations most of them had.


35. PUK had a ‘North American division’.


38. Sacilor and Peugeot-Citroën, annual reports for 1975, ACL.


ABSTRACTS


AUTHOR

PIERRE LANTHIER

Université du Québec à Trois-Rivières
The Americanisation of a European latecomer: transferring US management models to Spain, 1950s-1970s

Núria Puig

INTRODUCTION

Americanisation has been seldom approached by economic, social, and political historians concerned with the modernisation of Spain. Spain, as a matter of fact, remained economically backward and politically isolated during most of the American century, and missed much of the prosperity that followed the Second World War in Europe. However, economic and technical assistance from the United States was granted after 1950 as a counterpart for military cooperation in the context of the Cold War. The United States became the first source of foreign direct investment and technology, and their influence on Spanish economy and society has been growing steadily ever since. This chapter presents the findings of an ongoing research project on the United States and the economic and social modernization of Twentieth Century Spain. It examines the process of transfer and adaptation of American models – particularly business management and education – in the Franco period.

Spain, like many European peripheral nations, underwent a complex process of modernization in which local needs, institutions, and policies continuously interacted with American interests and projects. Given the remarkable differences between Spain and the democratic and economically advanced European countries, it seems reasonable to think that Spain followed a particular pattern of Americanisation. From a macroeconomic perspective Spain appears as a strong case of Americanisation. Indeed, authoritarianism, international isolation and the geopolitical location of Spain strengthened the political and economic role of the United States in Spain, since the former remained the main supporter of the latter in the international arena well into the
1960s. The particular institutional setting upon which Spain’s late and fast industrialization occurred – a rather rhetorical combination of economic nationalism and strong technological dependence - tended to encourage American investment and Spanish-American business arrangements. The superiority of US techniques and values was widely acclaimed in Spanish business circles, especially in those strongly dependent on foreign raw materials, technology, and contracts. If we examine the process from a microeconomic perspective, however, we find important constraints, like those emerging from the state-led industrialization process set in motion after the Civil War (1936-1939), the size and quality of the Spanish market, and the fascist management of industrial relations. Bureaucrats as well as businessmen in touch with American ideas, artifacts, and interests, often recognized that Spain’s economic and social backwardness made very difficult to implement fully what we now call the American model, and few attempts were made actually to do so, even in American joint ventures and subsidiaries.

What did American’ mean for most Spanish entrepreneurs, managers, and engineers? Depending on their industrial branch and their closeness to American firms, the answer was mass production, high productivity levels, systematic management, effective advertising and marketing, and mass consumption. Although these values could be well identified with industrial capitalism, American, European or Japanese, the influence of the former grew at a very fast rate after the war, successfully rivaling with Spain’s best trade and cultural partners, the European nations. The degree of enthusiasm with which Spaniards reacted to American management methods and ideas at the firm level could also vary enormously, and they rarely embraced the whole package. The opposite attitude, from reluctance to resistance, was also partial.

The 1950s and 1960s were years of fast growth and modernization in Spain, both supported by an impressive process of learning that took place at macro and micro level. The empirical study on which this chapter is based suggests that both the United States, as the new economic paradigm and most supportive Western nation, and American firms strongly contributed to that learning process. First, I explain briefly the political and economic context of Spanish Americanisation. Then I focus on some American and Spanish institutions and individuals that were instrumental for the transfer and adaptation of US models of production and business management and education to Spain after 1950. Finally, I present two case studies of Spanish firms in which the American influence was particularly significant through technical assistance and business partnership. Yet neither in the state-owned petrochemical concern ENCASO nor in the private pharmaceutical company CEPA were American methods and criteria fully embraced. They were adapted as far as the acquired technology required them and then had to accommodate to in-house managerial patterns, from military authority to family ownership and rule.

THE POLITICAL AND ECONOMIC CONTEXT

In the last 25 years, as the Spanish economy has become fully integrated in Europe, the influence of such Americanised institutions as business schools and Consulting firms has increased spectacularly. The origins of this phenomenon go back to the early 1950s and are closely related to the technical support provided by the United States to Franco’s Spain. Although Spain was the only Western European country not invited to join the Marshall Plan after the Second World War, and international isolation was an essential
feature of Franco’s authoritarian regime, a bilateral defense agreement with the United States was reached in 1953. As a complement of the plan arranged to build and use several military bases in Spain, the Pact of Madrid included a programme of economic support and technical assistance similar to that granted to the Marshall nations a few years earlier. At least until the late 1960s, the United States tutored the hesitating military, economic and social Westernization of the country against the background of the Cold War and the persistence of dictatorship.

From 1939 on, the Franco Regime dramatically changed the economic framework in which entrepreneurs and managers had to operate. Autarchy and rapid industrialization at any cost became the main objective of the authoritarian economic agenda. An intense regulatory economic policy, together with the rise and privileges of public enterprises, made the State a major player in the industrial arena, often competing against private firms. The state-owned industrial holding Instituto Nacional de Industria (INI) became the paradigm of this new era as well as the laboratory were a new industrial bureaucracy—largely recruited among the engineers of the Army-designed Spain’s development. The Spanish industrial map changed, too. New investments were preferably placed in Madrid and in locations with poor manufacturing traditions, as opposed to Catalonia and the Basque Country, the cradle of Spanish industrial capitalism. Due to its administrative closeness and expanding market, Madrid was to remain a magnet also for private—Spanish and foreign-investors, particularly American. In addition, the post-war dictatorship brought about a highly important, long-lasting pattern in Spanish industrial relations: in exchange for work stability, the government guaranteed labour peace and low wages. The result of this kind of social contract without social participation was labour market rigidity and low productivity. This is why the introduction of a law of collective bargaining in 1958, largely a response to international pressure, had so many dynamic effects on Spanish management attitudes and organization.

Yet the failure of the self-sufficiency project was visible as early as 1950. Free public expenditure, price control, and arbitrary intervention during the previous decade had resulted in high inflation rates, shortages of food and raw materials, black markets, corruption, and post-war-like living standards. So the need for outside assistance was felt acutely inside the most outward-looking sectors of the administration. At the same time, the American government, increasingly distressed by the international confrontation between the communist block and the so-called free world, paid attention to neutral Spain. A 62.5 million US dollar loan granted by the Export-Import Bank in 1950 was the first step towards a compromise between the leading member and an outsider of NATO. Two years later, in September 1953, a bilateral defense agreement between the United States and Spain was signed. Its clear objective was to secure a military site in a strategic region of the West. Along with the military assistance programme, however, a defense and economic programme was designed to improve the dilapidated transportation System and keep the Spanish economy going while the military bases were built. Note that, even if the interests of the Americans were clear, their policy had to be extraordinarily carefully crafted, in order to satisfy the local population, on the one hand, and calm the strongly antifranco attitudes of most NATO members, on the other.

One cannot ignore, however, the qualitative dimension of economic aid, particularly of the technical assistance and exchange programme, a non-expensive and long-term effective programme that had been already implemented in the Marshall countries. In Spain, from 1954 through 1963, this programme helped to create or to support several
institutions that would have a remarkable impact on the country’s economic and business modernization. The Comisión Nacional de Productividad Industrial (CNPI), established by the Ministry of Industry in 1952 and then funded basically by American development agencies, became the key institution of the Spanish productivity drive. The first American-style business school, the Escuela de Organización Industrial (EOI), was founded in 1955 by the Ministries of Industry and Education and financed and supervised by the United States. Furthermore, an official body of consultants was designed to advise the new public sector as well as to regulate an emerging profession. The steady liberalization and maturing of the Spanish economy slowly undermined the monopoly that the administration had initially exerted over most of the technical aid programmes. Already in the mid-1950s, private companies, business schools and professionals successfully applied for American support, and a powerful lobby, the Asociación para el Progreso de la Dirección (APD) emerged. Business schools were created, without exception, under the aegis of different Catholic groups, the most successful-until today-being those of the Jesuits and the Opus Dei. In a very short period of time, then, a network of modernizing institutions was Consolidated. All of them shared a common aim: the education in modern management of an entire generation of Spanish entrepreneurs, managers, administrators, foremen, and supervisors. Accomplishing this task within the framework of a repressed society and a strongly regulated, developing economy was not easy. Diplomacy as well as ambiguity had to be displayed in generous amounts by both the public and private agents truly interested in ‘bringing Spain into the Twentieth Century’ and building confidence among businessmen while preventing any kind of social and political upheaval.

It would be naïve, of course, to make American assistance the source of the impressive development experienced by Spain in the 1960s and early 1970s, but one cannot deny the dynamic effects of the United States on the Spanish economy and business community. Indeed, the United States remained the main source of foreign capital and technology, and the only advanced nation to officially support Spain until 1958. In the next two decades, Spain went through the ‘Spanish miracle’, defined by the highest European growth rates, massive foreign investment, and technology transfer, together with tourism, fast urbanization and emigration. Modernity remained remarkably concentrated in Catalonia, Madrid, and the Basque Country. It was there that modernizing networks arose or expanded. The traces of the United States were particularly visible in Madrid.

A NEW INSTITUTIONAL SETTING

As elsewhere in Europe, in Spain the rising influence of the United States operated through the classical carriers, namely State action, business schools, technical and management consultancies, and foreign direct investment, usually related to local lobbies. This section provides a brief survey of such carriers, except for American investment, which will be addressed subsequently. American as well as European ideas and contacts melted in the making of new social and business networks, which became a remarkably outward-looking setting within an officially inward-looking country. Of course there was a strong continuity between pre-war and post-war individuals, institutions and ideologies, but the United States acted as a catalyst of modernity by providing loans, technical support, and business opportunities in isolated Spain while defending the interests of American investors.
Before the advent of liberalization in the Spanish economy, management had to adapt to the inward-looking economic and mental model established after the Civil War. Among private entrepreneurs and officials, productivity soon became a central issue, for education levels, on the one hand, and labour incentives, on the other, were extremely poor. The Instituto Nacional de Racionalizacion del Trabajo (INRT) of 1945, first, and then CNPI were established (though poorly funded) to raise industrial productivity and disseminate scientific management techniques, preferably at the shop floor level, across the country through training courses and specialized journals that mainly addressed foremen and middle management. Top management, in turn, was scarcely addressed in Spain, the obvious reason being the absence of complex, hierarchically organised firms. Whereas INRT—an institute within the new scientific establishment—approached the productivity issue from a rather theoretical perspective, CNPI, controlled by the Ministry of Industry, was concerned with the implementation of new techniques in public and private firms.

American agencies placed much emphasis on technical exchange and assistance programmes. They had learned in post-war Europe that too much emphasis on techniques was usually fruitless, while broad approaches to management and organization caused less troubles and resistance. Moreover, technical assistance constituted an effective instrument of propaganda for the United States, and this was vitally important if the core ideas of liberal capitalism and free enterprise were to be disseminated in a strongly regulated country. The propaganda had two main targets: to convince the Spanish population of the good will of the Americans and the superiority of their economic model, and to make the risk of having foreign soldiers on home soil acceptable. The implementation of the technical assistance programme was assigned to an existing institution, the CNPI. Its secretary and leader, Fermín de la Sierra, a young engineer and official at the Ministry of Industry and INRT, had traveled to the United States in 1946 and 1947, where he became acquainted with new management models taught at some top business schools and their implementation in large companies across the country. Back in Spain, he was entrusted with the foundation of the Commission and became the first professor of industrial organization at the Madrid School of Industrial Engineering. De la Sierra had also experience in the private sector and was at ease with industrialists. Within the Spanish administration, increasingly divided between pro-state and pro-market ideologies, he apparently had the support of both, and so was ideal in the eyes of the Americans to carry out this delicate task.

In spite of the financial modesty of the whole technical programme, it made possible the establishment of productivity centres in the most dynamic manufacturing regions, as well as the implementation of a training plan, using productivity instructors, for both public and private companies. Although public and private interests co-existed, the US agencies insisted on giving priority to the latter. The same idea gave birth to the project of founding a post-graduate business school (EOI) in 1955 to spread the main techniques of management administration and, last but not least, the spirit of capitalism. The example was soon followed by the socially aware Society of Jesus, which since 1908 had run an influencing engineering school, the Instituto Católico de Artes e Industrias (ICAI), in Madrid. A business school, the Instituto Católico de Administración y Dirección de Empresas (ICADE), was founded as an annex to ICAI in 1956. Whereas the EOI initially looked at the new born public managers, ICADE remained closely attached to the private firms that had contributed to its foundation.
An instrument, therefore, of the productivity drive in Spain and the American diplomacy, the Commission was also the first of a series of modernizing networks in Madrid, Barcelona, and the Basque Country, the most dynamic regions of an isolated and developing country. Spain remained indeed in the 1950s and 1960s a poorly institutionalized society where trust and connections (local and foreign alike) mattered a lot. Since the supply of educated manpower was limited, relatively few people had a strong influence in this early and difficult stage of Spanish modernization, and concurrence among them was not really fierce. In Madrid, public bodies such as INRT and CNPI played a leading role in the whole process. Fermín de la Sierra and his team exemplify very well how the American and the Spanish administrations co-operated in spite of all political (international and domestic) difficulties. Even if backed by the American agencies and the Ministry of Industry, CNPI had to face many obstacles: reluctance of the fascist elements in the government to accept scientific management; constant interference by the state-owned holding INI; the indifference of many officials and private entrepreneurs; chronic lack of funds; and, in the 1960s, the rise of a new political group in the government which was more market-oriented and close to the Catholic organization Opus Dei.

The influence of CNPI and its business school, EOI, arrived in Barcelona, Bilbao and San Sebastián through the regional productivity centers and the Catalan branch of EOI, the Escuela de Administración de Empresas (EAE). This school was founded in Barcelona by José Orbaneja, also a manysided engineer with industrial experience, professor of industrial organization at the School of Industrial Engineering, leading member of the business and academic circle Instituto de Economía de la Empresa, and an early participant in various industrial missions to the US. Built on the entrepreneurial tradition of Catalonia, all these initiatives found the eager support of enlightened businessmen while co-operating with the Chamber of Commerce and other business corporations. A similar experience occurred in the Basque Country. There, local industrialists created their own productivity circles, but co-operated with public institutions like the regional branches of CNPI. Much more influential in the long run, however, would be the two Catholic business schools founded in Barcelona in 1958: the Instituto de Estudios Superiores de Empresa (IESE) and the Escuela Superior de Administración y Dirección de Empresas (ESADE), run respectively by Opus Dei and the Society of Jesus. Both benefited from their solid connections with the Catalan business community and the private-sector-friendly governments of the 1960s and 1970s.

On the whole, the private sector played a much more relevant rôle in the dissemination of modern management than one might think. The business community was indeed responsive to the opportunities granted by the US technical exchange programme. As early as 1956, a group of managers and owners that had joined the first industrial tours to the United States founded the Asociación para el Progreso de la Dirección (APD) to promote the introduction and exchange of new management ideas. The first US report on the Technical Assistance Programme in Spain presented APD as a clear success of the Mission. Even though its director, the sociologist Bernardino Herrero, had good relations with the US Embassy and was able to obtain some funds for the organization of international seminars on top management, for example, APD was basically supported by private individuals and companies. The Association, patterned very much after the American Management Association, had many links to the business circles emerging around the American aid. Its founder and leader was José María Aguirre, manager and
owner of the construction firm Agroman, one of the few private companies to get a loan from the Export-Import Bank in 1950 and one of the many firms involved in the building of US military bases. Aguirre’s brother and partner was in the 1950s commercial attaché at the Spanish Embassy in Washington. Another supporter and later president of APD was Antonio Garrigues, an international lawyer who built most of his reputation by assisting the arrival of many American firms in Spain. No wonder, then, that his position strengthened in the 1960s and 1970s, the golden age of US investment in Spain, and that he was appointed Ambassador in Washington. A neat representation of the most modern face of the Spanish economy constituted the rest of the founding nucleus of APD: power, oil, Chemicals and pharmaceuticals, electrical equipment, mining, Steel and metallurgy, cement and construction, banking and insurance, and Consulting. The links with the construction of the military bases and the US programme of economic support were equally obvious. As with most Spanish institutions, APD showed concern with low productivity, managerial isolation, and labour unease. The first and most dynamic working team of APD was that concerned with Human Relations. Its leading voice was Robert Cunat, an enterprising economist who in 1952 had established the Consulting firm Técnicos Especialistas Asociados (TEA) with the Urquijo industrial bank as partner. Cunat also spent a long time as Human Relations director of Standard Eléctrica, the former Spanish subsidiary of International Telegraph and Telephone. As regards management education, APD soon specialized in promoting communication within the business community, and between businessmen and the administration. In sharp contrast with business schools, APD preferred to address top managers. In the political arena, this liberal lobby always showed tactfulness, for as Aguirre once put it—-they were acting in “an arranged economy and an unpredictable framework”. APD also stretched to the industrial periphery, co-operating in Barcelona with the Instituto de Estudios Económicos, and establishing a branch in the Basque Country. It is interesting that the main Consulting firms were members of APD.

THE AMERICANISATION OF SPANISH FIRMS: ENCASO AND CEPA

To what extent did these institutions influence Spanish management practice? This can be best appraised by looking at the firm level, since it was here that local and foreign, old and new ideas, habits, and techniques met and were set to work. In order to show how many-sided and complex the social process that we are identifying as Americanisation became within particular companies, this section briefly analyses two of them. Both the Empresa Nacional Calvo Sotelo (ENCASO) and the Compañía Española de Penicilina y Antibióticos (CEPA), founded in the post-war period, were or became closely associated with two new industries, petrochemicals and antibiotics, two powerful representatives of Twentieth Century technological progress and American scientific and entrepreneurial leadership. In Spain, American direct investment grew at very high rates after the Second World War, so that the United States became the most important foreign investor in the 1950s and 1960s, well above Spain’s traditional investors, France and the United Kingdom. Before the war, American investment, more visible than the managerial institutions that I have briefly described, had focused on utilities, car making, and film distribution. After the war, the increase in scale went hand in hand with an increase in scope, particularly in oil and petrochemicals, electrical equipment, pharmaceuticals, food Processing, and several consumer goods. American capital and technology, finally,
strengthened their position in Spain through specialized firms, consultancies, and advertising agencies. This phenomena had outstanding effects in Madrid, which, as already noted, became the seat of most US subsidiaries and joint ventures. In addition, Madrid was made the economic capital of the country by the new rulers and INI’s headquarters were consequently placed there.

Our two firms can be seen indeed as the result of the new scenario created by state intervention and US assistance and interests: both were partners of American investors and licensers; both benefited from American loans, aid programmes, and business contracts; both became associated with post-war modernising networks; and both were Madrid-based. There were, however, significant differences between the two. Whereas ENCASO was a huge state-led industrial project, designed and run by military engineers, CEPA remained a middle sized, market-led firm, managed by liberal minded Spanish investors and managers. During the period we are concerned with, the particular background of each firm strongly conditioned, and limited, the implementation of American techniques and ideas. This will be shown by analysing the process at three levels: the board of trustees, the technical and research units, and the shopfloor.

The story of ENCASO, the controversial forerunner of Spain’s current leading oil and petrochemical company, REPSOL, is related to two major topics in post-war European economic history: the rise of state-owned firms, and the shift from German to American technological leadership and from coal to oil as main industrial feedstock. ENCASO was founded in 1944 as a state-owned carbochemical complex with various industrial sites (all of them in backward areas); aimed to produce synthetic oil and other derivatives of bituminous coal and lignite; and received technological assistance from IG Farben and several German engineering firms. In spite of the German defeat in 1945 and the following expropriation of German assets by the Spanish government, ENCASO remained for a long time attached to the German hydrogenation process and its licensers, as was also INI’s most spoilt and expensive firm. The desire for self-sufficiency became in this way associated with Nazi technology and organization. Indeed, ENCASO’s director, Joaquin Planell, and other influential top managers had become familiar with the German version of scientific management, rationalisation, at the Spanish military engineering schools that they had attended in the inter-war period. This probably explains why there was basically a good understanding between Spanish and German managers, engineers, and technicians when the former visited Nazi Germany looking for an agreement, and the latter came to Spain to supervise the construction of the first plants. A mixture of military authoritarianism, corporatism, and paternalism would remain the main characteristics of ENCASO’s management at all levels well into the 1960s.

Before that, ENCASO followed an erratic path that was increasingly criticized even within the Spanish administration, since not a single drop of synthetic oil was ever obtained. For one thing, ENCASO’s directors managed to keep their links with German Chemical and engineering firms while getting access to the Eximbank loans and the economic and technical aid programmes. The result was that German and American firms and technology coexisted in ENCASO: for example, Badische Anilin und Soda Fabrik (BASF) (again an independent firm after the dismantling of the IG Farben) assisted in the hydrogenation plants, whereas Westinghouse built a power station and a fertilizer plant. As early as 1949, however, the state-owned firm went into a joint venture, REPESA, with the first Spanish private refinery, CEPSA (Compañía Española de Petróleo), and CALTEX to build a refinery on the Mediterranean. This was a wise move by CEPSA, since it was able
keep its private interests in totalitarian Spain in exchange for its international (particularly American) contacts and human capital (CEPSA’s managers would be present in all refineries and petrochemical plants and boards of trustees). Although some German scientists and engineers found shelter in ENCASO as employees, the German firms had more and more difficulties over sending supervisors, and the Spanish technical directors made regular trips to Western Germany in search of advice. It is interesting to note that, as BASF was increasingly focusing on flexible plants and petrochemicals, showing less interest in carbochemicals, ENCASO’s people insisted on the viability of their original projects. At the same time, American engineers were coming regularly to ENCASO’s plants, and the senior and junior, military and civil engineers of ENCASO filled EOF’s first classes and went to the US as members of exchange programmes. American contacts became more intense from 1958 onwards, when ENCASO slowly gave up its original plans and developed into an inland refinery and petrochemical complex with the assistance of Kellogg, Foster Wheeler, and other American engineering firms, as well as multinational Chemical firms such as Imperial Chemical Industries, Montecatini, Phillips Petroleum, and Arco. Military engineers lost influence and the new economic bureaucracy in office started to put order in the disastrous financial State of the firm. This coincided with the introduction of labour bargaining and other liberalising measures adopted by the Spanish administration under international pressure.

21 Did ENCASO become Americanised? It is at the level of the board of trustees that one understands better the shift from Nazi technical and organisational models to more liberal minded industrial projects. The change was above all forced by international developments and the evidence of ENCASO’s technical and financial failure. Since there was a striking personal continuity from 1944 through 1974, when ENCASO underwent a sound reorganisation and became ENPETROL, the original project was rhetorically defended every year, as was in-house ideology (i.e. the priority of politics and social policy over economics) and management practices (i.e. military hierarchy and discipline).

22 This was apparent in the areas of accounting, corporate organization and strategy, where specific proposals to apply foreign methods (particularly from American partners, strongly defended by CEPSA’s man in ENCASO, José Canellas) were systematically rejected after 1954. The same board of trustees rejected offers from various management consultancies such as Bedaux with the argument that military engineers would feel humiliated if they had to follow the instructions of the engineers from a private firm. As pressure over economic performance intensified, the Ministry of Industry and INI were able to impose American accounting and auditing methods, and to introduce a multidivisional structure, a major change in a highly centralized company. This was helped by the fact that ENCASO developed through the 1960s into a petrochemical holding, most of whose firms were linked to multinational companies. At the same time, and in spite of the spectacular rise in living standards experienced in the areas where the firm had its main plants, labour unrest mounted, and so ENCASO’s directors decided to hire a consultancy which developed a long-term plan to improve labour productivity and make wages dependent on it through classical scientific management methods.

23 Where American organizational methods were willingly accepted was in the technical and scientific departments established after 1950. This was not exceptional, since Spanish firms, strongly dependent on foreign technology, were accustomed to let their research and development facilities (if existing) operate under the control of their technological partners. This pattern intensified as Spain grew into the second industrial revolution and
technology transfer increased dramatically. The available evidence shows that ENCASO’s engineers and scientists strictly followed the instructions of their foreign partners, American and European. The introduction of American engineering concepts and work methodology was especially successful in the technical offices that supported the construction and operation of the oil refineries at Escombreras and Puertollano in Southern Spain. Although it is a topic which requires further analysis, it seems that this adaptation process lead to the establishment of several engineering consultancies, fully owned or participated in by INI. Instead, American scientific culture was absent at ENCASO’s central research department, which remained a fruitless institution until a realistic research co-operation project was established with the French Oil Institute in the 1950s to improve synthetic lubricants, thus removing any autarchy-led inheritance.

At the plant level, the first traces of modern management practices appeared as late as 1964, when the whole industrial complex had to be drastically restructured and its permanent staff downsized as the outcome of more pressure on financial results by the Ministry of Industry, new labour market rules, the dismantling of the coal mines and coal-based plants, mounting labour unrest, and the creation of petrochemical firms with multinational partners. Like most Spanish industrial firms, ENCASO hired an external consultancy that introduced Bedaux-type methods to increase productivity levels. They were strongly resisted by a workforce of rural origins, geographically isolated, whose basic qualifications (when existing) had been provided by religious orders chartered by the firm, and who were deeply impregnated by the populist and paternalist culture of INI and the Spanish military. An astonishingly high percentage of the less qualified staff, for instance, was physically or mentally handicapped. Even though many foremen had attended specialized courses organised by CNPI, and ENCASO was from the beginning a regular supporter and client of the state-led productivity drive, average productivity levels were very low. It is possible that these efforts were jeopardised by too low qualifications as well as the political and social priorities of a very contested and uneconomic enterprise.

In spite of its very different entrepreneurial background and economic horizon, the origins of CEPA, our second case study, are also related to the fate of German firms. The company was founded by the financial and industrial group Urquijo on three basis: the acquisition of the German pharmaceutical firms Bayer and Schering, a sound business which would keep CEPA and an ambitious pharmaceutically complex running; the establishment by the Spanish government of a private duopoly to manufacture antibiotics in Spain; and the license agreement signed by the Urquijo group with the American firm Merck. The artificer of this unprecedented move was a brilliant scientist, Dr. Antonio Gallego, who had established contacts at the Rockefeller Foundation in the 1940s and whose brother José Luis had been the scientific director of Bayer under German management. Thanks to their international contacts, the Gallego brothers, on the one side, and the Urquijo group, on the other, kept Bayer and Schering – the cornerstone of Spain’s modern pharmaceutical industry-going between 1945 and 1950, when both firms were acquired by the Urquijo group.

The agreement between Merck and CEPA made the latter a technologically advanced company and the only Spanish pharmaceutical firm with an in-house research department and institutionalised relations with the academic establishment through the Instituto de Farmacología Española, linked to Gallego’s chair at the Madrid Faculty of Medicine. Again, the artificer of this unique construction was Antonio Gallego, who
proved persuasive enough to create, as early as 1954, the first research department supported by Merck outside the United States. At the same time, CEPA’s industrial and commercial managers participated in many of the initiatives associated with the productivity drive, like specialised business trips to the US (pharmaceutical industry and quality control), business schools (EOI and ICADE), pro-American lobbies (APD), and management consultancies (TEA). The Urquijo group, traditionally linked to foreign investment in Spain, provided additional opportunities for CEPA’s managers and staff to get in touch with new techniques and ideas.

The minutes of the board of trustees and CEPA’s corporate reports show that on the whole CEPA’s directors were very receptive to the commercial criteria of their German partners (marketing and distribution of CEPA’s products relied on Schering), and the scientific and organizational methods of their American licensors, particularly scientific management at the shop-floor level, quality control, and research and development organisation and management. Accounting, however, remained dominated by Spanish traditions (and fiscal requirements), as did the corporate strategy of the firm, very much influenced by Urquijo’s own rules and family interests. It is significant that in 1966, to justify a change in the organizational structure of the firm (too small to become multidivisional), the Urquijo group hired its partly owned subsidiary Consulting firm, TEA. There are many examples of how the interests of the families associated with the group and personal friendship strongly conditioned the decision-making process of the board of trustees.

The most interesting experience of Americanisation at CEPA occurred within the scientific and technological network created by Gallego and his relatively small team, most of it trained in the United States or by Merck’s scientific directors in Madrid. The academic branch, the Instituto de Farmacología Española at the University of Madrid, reproduced on a reduced scale the co-operative schema that gave rise to networks of innovation in the American pharmaceutical industry. In Spain, the absence of industrial demand for scientifically trained human capital, among other things, frustrated this potentially fruitful process. Apparently, many of the graduates trained at the Institute went to work for multinational firms, most of them American. What had longer-term effects was the in-house research department, born as the Spanish branch of the Screening Programme on Antibiotics at Merck, that has become the Centro de Investigación Basica Española (CIBE), today under the control of Merck’s Spanish subsidiary. Again, CEPA’s strong technological dependence explains the easiness with which Merck’s research and organizational patterns were adapted by the Spanish team. And this strong Americanisation might explain why there were practically no connection between CEPA’s scientists and the Spanish scientific establishment.

At the plant level, finally, CEPA was one of the first to introduce scientific management, starting with the packaging sections and finishing years after with the accounting department. The most ambitious project was led by an interdisciplinary team of graduates from EOI and ICADE, although eventually external consultants (in addition to Urquijo’s TEA) were also hired, particularly to solve human resources issues. In contrast to ENCASO’s development, in CEPA the urban environment of Madrid and the lack of political and social constraints probably helped to introduce a modern, productivity-led culture. As at ENCASO and most Spanish firms, however, scientific management reached its highest point at CEPA only after 1958, coinciding with the advent of a liberalisation project very much pushed by Spain’s international partners.
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ABSTRACTS

Cet article étudie de quelle manière l’américanisation pénètre la communauté des affaires en Espagne sous Franco. Tandis que l’aide et les investissements américains facilitèrent la création de réseaux libéraux, d’institutions copiées sur le modèle américain, et de positions pro américaines au sein des cercles avancés d’entrepreneurs, l’adaptation de techniques et d’idées de management spécifiques au niveau de l’entreprise constituait un processus très hétérogène et complexe. Ceci est analysé au travers de l’exemple de deux entreprises très engagées dans ces réseaux. Au sein de la société pétrolière et pétrochimique d’état ENCASO, le savoir-faire américain voisine avec des méthodes et des valeurs militaires germaniques et locales, traditionnelles et paternalistes. Dans la société pharmaceutique CEPA, l’organisation scientifique et les procédures de recherches américaines furent adoptées avec ferveur, tandis que les stratégies de management, les politiques de promotion et les pratiques comptables restèrent dominées par la culture de l’actionnaire principal, le groupe industriel et financier Urquijo.
AUTHOR

NÚRIA PUIG

Universidad Complutense de Madrid
Did Bradford have anything to learn from Chicago?
American influences on mail order retailing in Britain

Richard Coopey and Dilwyn Porter

This chapter will examine the influence of American methods on general mail order retailing in Britain since the late Nineteenth Century. It will compare and contrast the development of this sector in the American and British economies, highlighting the different trajectories followed in terms of scale and operating structure. Though pointing to various connections between British and American retailers, as well as indicating some instances where selective adaptation occurred, the independent development of British mail order retailing will be stressed. The impact of the respective national markets in shaping the distinctive retail forms that emerged on either side of the Atlantic will be discussed and attention given to the social and cultural environments in which those markets were embedded. American mail order retailers, especially Montgomery Ward and Sears, Roebuck & Company, operated in conditions quite different from their British counterparts in Bradford and elsewhere. The retailing form they developed to meet the requirements of American consumers could not be transplanted wholesale in Britain. This meant that the potential for the Americanisation of British mail order retailing was reined in from the start.

structures and markets

In focusing on the firms that came to dominate in this sector it is important to acknowledge an imbalance in the existing literature, not least because this appears to have impacted on the way in which British mail order retailing is sometimes described. Though there has been no general account of the development of American mail order, the Chicago-based giants have generated significant company histories, notably Latham (1972) on Montgomery Ward, Emmet and Jeuck (1950) and Weil (1977) on Sears Roebuck. More recently, the American mail order phenomenon has attracted the attention of cultural and social historians, especially Schlereth (1989) and Blanke (2000). For
Schlereth, the mail order catalogue, “the homesteader’s bible”, was essentially an agent of modernisation. It came to represent “a department store between book covers, a banking and credit source, an etiquette adviser, and a down-home vade mecum of modernity”. Blanke explains the success of Montgomery Ward after 1873 and Sears Roebuck at the turn of the century largely in terms of self-conscious adaptation to the consumer ideology then prevailing in the rural Midwest. In comparison the body of published work on British mail order has been relatively slight. Beaver (1981) has supplied the only company history to date and his definition of mail order conflated its American and British forms. Brandon (1984) set British developments in the context of “Sears Roebuck—the American model”. Research emphasising the distinctive characteristics of the Britain’s leading mail order retailers, in particular their commitment to consumer credit and their reliance on spare-time agency, has emerged only in the last few years.

Chicago’s mail order houses also featured prominently in the work of Chandler who located them at the heart of what he described as a “revolution in distribution” in the late Nineteenth and early Twentieth Centuries. What was emphasised here was the way in which mail order retailers exploited an improved communications infrastructure to reach customers denied access to more conventional ways of shopping. In addition, advantages accruing from economies of scale and scope were underpinned by a high degree of mechanisation as retailers developed the capacity to handle the massive volume of orders received daily while maintaining a steady velocity of flow through the warehouse. A highly supervised departmental scheduling System, introduced by Otto Deuring in the early years of the Twentieth Century, enabled Sears Roebuck’s main Chicago warehouse to handle over 100,000 orders daily, “as many transactions as most traditional merchants in pre-railroad days handled in a lifetime”. It was developments of this kind that allowed American mail order houses to sustain a high stock turn, thus enabling them to operate on lower margins than their competitors.

The pioneers of mass distribution in the United States, as Chandler was aware, had their counterparts in Britain and in Scale and Scope he developed a comparison between the operations of Sears Roebuck and the Manchester-based Co-operative Wholesale Society (CWS). Though there were a number of general mail order retailers operating in Britain by the early years of the Twentieth Century—Empire Stores in Bradford, Freemans and John Myers in London, Graves in Sheffield, Kays in Worcester and the Royal Welsh Warehouse at Newton – none were of sufficient size to invite useful comparison with Sears. It is clear from company literature published in 1919, for example, that Kays, probably the largest British house at that time, was a relatively small business by Chicago standards. Kays boasted that it often despatched as many as 1,200 parcels in a day, a throughput comprising about one per cent of that handled by Sears Roebuck. Significantly, W. Kilbourne Kay, while describing his firm as “the largest industrial agency business in the kingdom”, went to some lengths to assure customers that it was his intention that it should remain a “good little business”. As Kay himself was aware, there were always lessons that could be learned from the United States but differences of scale helped to ensure that these were applied piecemeal fashion in the British context.

Nevertheless, in describing the differences between Sears Roebuck and the CWS, Chandler supplied a useful starting point for a more direct comparison between American and British general mail order retailers. "Differences between the mass markets in the two countries", he argued, “led to noteworthy differences in the institutions created to serve
them". Whereas the Chicago houses catered, at least initially, mainly for customers in rural areas with limited access to conventional retail outlets on account of distance, British mass distributors looked to meet the needs of an urbanised industrial working class. This was the function performed by Britain’s major mail order retailers from the late Nineteenth Century onwards, especially after the original pioneers had been joined by the Bradford-based Grattan Warehouses, Great Universal Stores (GUS) and Littlewoods in the inter-war period. In these circumstances, the idea that Sears Roebuck or any other American mail order company might supply a model to explain the development of their British counterparts seems simplistic. General mail order retailing developed over roughly the same period in the United States and Britain but on quite separate lines. Supplying customers in rural Illinois and Iowa required different retailing techniques from those that were utilised by British mail order retailers selling to working-class customers in towns and cities already offering a variety of easily accessed shopping opportunities.

**british mail order and the american connection**

6 Before emphasising the contrasts, it may be useful to consider those features of British mail order retailing that most closely resembled the corresponding sector in the United States. It was here that selective adaptation of American retailing techniques was most evident. In both countries, differences in the scale of operations notwithstanding, mail order businesses were concerned to ensure that the inflow of orders from customers was rapidly translated into an outflow of goods from the despatch department of the warehouse. What made this apparently straightforward operation difficult was that the stock of goods in the warehouse had to be disaggregated to meet the particular requirements of each order. This had to be achieved at a speed that would guarantee delivery at an early date if mail order retailers were to compete effectively with conventional shopping outlets. These functions, even in relatively small-scale British operations, required the departmentalisation of office and warehouse tasks, clear lines of communication between departments, and the introduction of intensive supervision to ensure the satisfactory execution of orders. The scheduling System introduced at Sears Roebuck in 1906-07, with fines imposed on departments that failed to send required items to the assembling rooms within fifteen minutes of receiving an order, exemplified this aspect of the business. Though the regime at British mail order companies was more relaxed, they responded to the essential pressures of the business in a similar fashion. As early as 1880, the management of the Royal Welsh Warehouse, irritated by “daily increasing complaints of errors in the execution of orders”, had assigned final responsibility for ensuring that goods were properly selected to the heads of its various departments, docking their wages if any mistake should occur.

7 Information processing, storage and retrieval were other areas where the requirements of American and British mail order retailers coincided. As Kays recognised, the idiosyncratic methods employed in Britain were somewhat primitive compared to those developed in the United States. “A big American store”, a company press release observed in 1908, “would no more think of keeping their accounts or having their offices in the antiquated manner in which English offices are generally fitted than a Hindu would think of learning to skate”. In order to service the requirements of its 500,000 customers, Kays had abandoned the 300 bulky ledgers that had constituted its working archive in favour
of “the American card System of accounts”. This was especially suitable for firms with large numbers of individual customers; “it simplifies the work, prevents mistakes, saves endless trouble, and facilitates the general despatch of business”.¹⁰

Though Kays also boasted that it had imported the latest American machinery for its boot and shoe works, there is no evidence to suggest that transatlantic connections were pursued systematically at this time or that British mail order operations were self-consciously modelled on Chicago lines. If there was a tendency towards rationalisation it was essentially home grown and organic in character. A sense of this is conveyed by Beaver’s description of Empire Stores in Bradford at the end of the 1920s:

The mechanics and administration of the business seem remarkably simple... Every order that came to Canal Road was scrutinised by a director and, if approved, marked ‘SEND’. A girl then took a basket from department to department and assembled the order; stock control and ledger entries were made by pen and ink, the invoices were typed and the order dispatched.¹¹

At nearby Grattan Warehouses an American marking machine for printing adhesive labels, bought in the early 1930s, was a source of some wonder being “the very first mechanical aid the warehouse possessed”. A few years later, despite having moved into new, purpose-built premises with the firm’s “first ever conveyor belt for transferring ready for transit parcels direct to the despatch room”, a pragmatic, trial-and-error mentality survived. A teleprinter link to Grattan’s London office was quickly abandoned because it was too noisy; “we reverted to the old System of sending orders on the late night train to reach the Bradford office early next day”.¹²

As British mail order retailing expanded during the 1930s the corporate landscape was transformed by the arrival of John Moores’s Littlewoods Mail Order Stores in 1932 and Isaac Wolfson’s GUS, which acquired Kays in 1937. Both Moores and Wolfson believed that there was much to be learned by studying the methods of American mass distribution. Moores made the first of many visits to the States in 1933, taking in Montgomery Ward and Sears Roebuck, and showing a particular interest in their warehouses, “where youths on roller skates whizzed along the shelves, picking out items from bins that bore grade labels like some vast library index”. He returned “with samples of their mail-order indexes, tickets, Systems, charts – everything”. Later Jim Wilson, who worked for Littlewoods in stock control and accounts, spent five or six weeks with Sears Roebuck in Chicago. He found them very open: “Well, come in – there’s the filing cabinet. There’s all the stuff. What do you want to know?”. Wolfson, who made the journey in 1936, also wanted “to keep in touch with some of the leading mail order and retail concerns in the United States” and was similarly preoccupied with “achieving a scientific routine both in correspondence and dispatch”.¹³ It might be argued that these visits indicated an inclination to move away from the paternalistic style of management associated with the family firms that had dominated the sector in Britain since the late Nineteenth Century.

At this juncture, the American influence was most visible in efforts to rationalise the labour process. The Bedaux System, originating in the United States as a variation on the linked themes of work study and scientific management, was especially significant and there is evidence to suggest that it was in use at Grattan as early as 1932. Now recognised as probably the most important channel for the spread of Taylorism in Europe, Bedaux provided mail order retailers with a way of measuring the output of their workers and rewarding them for efficient performance via scientifically designed bonus incentive schemes. Labour costs were reduced but enhanced control was the key advantage
stressed by Bedaux’s industrial engineers. “Through the introduction of Bedaux methods”, Empire Stores were informed in 1934, “it can truly be said that the management is provided with a measure of control not hitherto visualised or considered possible in the various departments of an organisation”. Empire installed the Bedaux System in 1934, emulating its Bradford-based rival. By 1940, its chairman, Joseph Fattorini, could State with some confidence that “nearly all the waste time is due to management and not slow working by the staff”.

Thus, by the end of the 1930s, some British firms had taken up American methods and techniques, often as a consequence of personal initiative on the part of particular mail order entrepreneurs or their executives. This pattern, if it may be so called, continued into the immediate post-war era. When hostilities ceased Littlewoods picked up where it had left off, sending Andy Cooke on an extensive tour of the United States in 1946. By this time, the original Littlewoods mail order enterprise had diversified into high Street retailing while integrating backwards into manufacturing and Cooke’s remit reflected these changes. His mission was “to search out new ideas for our factories—for new merchandise we might sell and produce, new production methods and also fresh ideas for décor, shop fronts, presentation and display for our chain stores”. Like many pre-war British visitors, Cooke was especially impressed by the systematic application of industrial engineering to even the smallest tasks. A furniture factory in Louisville was especially impressive in this respect and Cooke appears to have become thoroughly Americanised in both a practical and an ideological sense:

> There seemed to be more time study engineers than operators, which is of course the proper approach to modem mass production; for planners and timers should set up the perfect job, involving the minimum of manual work. They were determined to increase the size of the cake, with little or probably no increase in the total labour charge; that way all could have a bigger worthwhile slice. If only we here could understand the lesson of the bigger cake and the bigger slice!

A visit to a New York factory producing corsets and lingerie—“nothing was hidden, not even the nude model”—reinforced these impressions. “There was”, he noted, “the same application of the science of reducing the labour or time content to the minimum, creating more work and more wealth, and better shares for all”.

Cooke’s enthusiasm for all things American, however, has to be seen in the context of the relatively slow take-up of new ideas by British retailers in the immediate post-war era. Despite the efforts of organisations like the Anglo-American Council on Productivity (AACP), established in 1948 to disseminate the American gospel of productivity in Britain, systematic modernisation on transatlantic lines remained an elusive prospect. This applied even in mail order where so many leading figures had already demonstrated an inclination to learn from the United States. In this respect the team of retailers assembled for an AACP study tour in 1952 was notable in that Britain’s major mail order houses were not represented, even though a visit to Sears Roebuck had been scheduled. If this was surprising, a perusal of its end-of-tour report suggests that the mission discovered little that was not already known at Grattan, GUS or Littlewoods. The major recommendation arising from the party’s visit to Sears Roebuck related to the importance of “long-term adaptability”. This was exemplified by the decision, taken by Sears in 1925, to diversify into large edge-of-town stores as the near universality of car ownership eroded the competitive position of mail order retailing. There was, no doubt, something here for GUS and Littlewoods to think about but it was not instantly applicable in the context of
Britain in the early 1950s where agency mail order was about to experience its golden age.

**distinctive characteristics of british mail order**

The limitations of these Anglo-American productivity initiatives have been well documented. Technical assistance programmes made little impact. There were also failures of communication—the gospel of productivity was not preached very effectively—but, importantly, the message met cultural resistance in Britain from employers and managers who resented the implications of schemes that were premised on the idea of American superiority. It seems unlikely, however, given their keen interest in the United States during the 1930s, that Britain’s leading mail order retailers were culturally predisposed to resist either American influences or a more systematic Americanisation of their businesses. Perhaps it was thought that privately arranged visits, like those undertaken on behalf of Littlewoods by Wilson and Cooke, were more useful. What seems likely is that they were comfortable with the process of selective adaptation that had helped to modernise the sector in the 1930s and sensed that there were limits to the useful application of American methods and techniques. The AACP mission’s final recommendation had been that “wherever possible work-study should be undertaken in retail shops and stores and not be considered as being the prerogative of industry”. This would hardly have been regarded as a new idea in Bradford where Grattan and Empire had been using the Bedaux System since the 1930s, or at Littlewoods in Liverpool. Moreover, Britain’s major mail order houses would have been conscious of areas of activity beyond the office and the warehouse where the distinctive retail form they had been developing since the late Nineteenth Century served them well and offered limited scope for Americanisation.

Though British mail order retailing accounted for less than one per cent of total non-food retail sales in 1950 its share had grown to 8.1 per cent by 1975. For much of this period, it was Britain’s fastest growing retail sector, expanding at around 15 per cent annually in the 1950s. The post-war success of Britain’s ‘Big Five’ mail order houses—GUS, Littlewoods, Freemans, Grattan and Empire—owed much to strategies first developed in the late Nineteenth and early Twentieth Century that dovetailed neatly with the requirements of their largely working-class customers. In order to encourage sales it had always been important to find ways of boosting the purchasing power of individual working-class consumers, at first through the club System but later through taking on a significant role in instalment credit provision. By bundling the cost into the price of goods displayed in the catalogue, mail order companies were able to offer an attractive ‘free’ credit facility to customers buying goods on instalment over 20 or 38 weeks. In the 1950s and 1960s, at a time when the aspirations of working-class consumers were rising but access to credit facilities was limited, especially for women, this gave British mail order a competitive edge over other retailers in the non-food sector. In 1976, 83.5 per cent by value of all instalment credit sales in the UK were attributable to general mail order houses. Their significant role as credit providers underpinned a marketing strategy that was quite different from that employed by Montgomery Ward and Sears Roebuck in the United States where there was less emphasis on credit and more on competitive pricing, differentiated service and cash on delivery. Montgomery Ward had originally promoted itself as ‘the Cheapest Cash House in America’.
The other defining feature of British mail order was that it relied extensively on spare-time agents, rewarded on a commission basis, who effectively gave the firms access to pre-existing social networks such as those to be found in family, neighbourhood and workplace. As one account from the late 1970s observed:

In the UK, in contrast to the USA, the mail order business depends heavily upon the agency System. All the general mail order houses distribute goods via agents, private individuals, usually women. These agents are normally customers themselves, but in addition they perform what are in effect retailing functions: they exhibit the goods (i.e. the catalogue), they receive the goods from the mail order company and distribute them to other customers, and they collect payments on behalf of the company.

Sales via agency accounted for about 90 per cent of all UK mail order sales at this time when there were, according to one conservative estimate around 4.2 million spare-time mail order agents. It was calculated that they were in touch with 72 per cent of all households in the United Kingdom. Thus Britain, where agency mail order predominated until the last decade of the Twentieth Century, was quite different to the United States, where Montgomery Ward and Sears Roebuck approached individual consumers directly, Ward having abandoned its late Nineteenth Century strategy of selling mainly to purchasing collectives in the rural Midwest.

Agency mail order was entirely suited to British conditions where firms were selling to customers who already had easy access to retail outlets like the high Street shop or the local co-operative stores. In these circumstances, retailers had to work hard to persuade customers to buy from a catalogue and the combination of credit and agency was important here. Weekly instalments facilitated credit purchases with the agent providing a de facto character reference for the customers on her books, thus minimising the risk of bad debt. The agent’s presence in the neighbourhood or workplace ensured that customers who missed a payment faced the prospect of an embarrassing confrontation with someone they knew rather than a reminder by post from some distant accounts department. Thus, for the British mail order retailer, agency helped to eliminate potentially damaging information asymmetries, enabling them to advance the credit on which increased sales depended. It is also clear that the idea of dealing with someone known and trusted was very important in persuading some people to purchase goods from a catalogue rather than from a shop or a market stall. Research in the 1960s indicated that British mail order customers tended to identify department store sales assistants, for example, with the retailer. A family member, a neighbour or a workmate, on the other hand, was their agent and the catalogue was referred to, not by its company or brand name, but as belonging to “my mother”, “Joan from down the Street” or “Mrs Brown”. Until quite recently, the fact that the agent was a relative or personal friend has been the most important single reason for a customer choosing to buy from a mail order catalogue.

There are some interesting parallels with the United States here, not with the major mail order companies themselves, but with firms that used agents to sell cosmetics and other goods to customers in their own homes. From the 1930s, American direct selling organisations were exploiting pre-existing social networks, appropriating an agent’s personal connections to facilitate the process of selling. As Biggart has suggested, “they came to understand the economic utility of manipulating Americans’ social relations and aspirations at a historically propitious moment”. The same claim could have been made for Fattorini and Sons (Empire Stores) of Bradford or Kays of Worcester as their
appointed club organisers, prototypical mail order agents of later years, tapped into the disposable income of working-class consumers at the end of the Nineteenth Century. Similarly, it might be argued that the rapid expansion of British mail order sales to newly affluent working-class customers in the 1950s and 1960s was achieved by recruiting an army of spare-time agents who were usually on such familiar terms with their customers that selling became almost a social activity. “I’ve never gone looking for customers”, explained a Littlewoods agent, Mrs Giles of London, in the 1960s. “They are all my friends and relations who happen to see the catalogue when they pop in for coffee or tea”. By the time that Brownie Wise was introducing the Tupperware Party to American housewives in the early 1950s, Britain’s mail order agents, the nation’s parlour capitalists, were already well versed in the techniques of social selling. Agency mail order enabled British retailers to meet the particular requirements of their national market; it has remained relatively immune to American influences.

in conclusion

Mail order retailing developed different forms in the United States and Britain and this inhibited the potential for Americanisation. Britain’s mail order houses, especially where they were part of a larger group of companies, like GUS or Littlewoods, were by no means indifferent to applying American ideas of scientific management. In terms of customer relations, however, British companies, until late in the Twentieth Century, based their marketing strategy almost entirely on spare-time agency, a homespun UK variant on the kind of charismatic capitalism associated in the United States mainly with direct selling organisations like Mary Kay cosmetics and Home Interiors. The large numbers of distributors employed on such schemes in the United States has prompted observations on their importance in creating ‘the culture of participating capitalism’.

In Britain, though traditional mail order agency has been in decline since the 1980s, numbers remain substantial; in 1996 an estimated 2.5 million agencies of this kind served six million customers. Arguably, spare-time mail order agents were and are a significant feature of Britain’s social landscape, just as important in their own cultural context as American direct sales distributors in theirs.

Having followed separate paths until the late Twentieth Century, with direct mail order predominating in the United States and the agency System in Britain, it does seem that the practice of retailers on both sides of the Atlantic is converging. This is largely because the emphasis in Britain has shifted from agency to direct mail order since the 1980s, with an estimated five million personal shoppers now outnumbering traditional agents by two to one. As de-industrialisation has eroded the working-class social networks to which agency adhered and as consumer credit has become more readily available, the marketing strategy of British mail order houses has been directed increasingly at the personal shopper. The increasing availability of databases that provided access to the credit records of customers further eroded the dependence on traditional agency. This movement towards direct sales brought Britain increasingly in line with the United States but it is difficult to argue that it exemplifies Americanisation. Rather it embodies a global trend driven by a combination of factors, not least recent developments in the information processing technologies that underpin sophisticated credit referencing Systems. Here British mail order firms have kept pace with and occasionally led global trends.
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27. Ibid.

ABSTRACTS

L’historique de la vente par correspondance en Grande-Bretagne suggère quelques parallèles avec les États-Unis et quelque trace d’un influence américaine. Etant donné son soudain et large développement aux États-Unis, il était inévitable que les entreprises britanniques regardent vers leurs concurrents américains quand ils cherchaient à se moderniser. Une judicieuse adaption de la méthode américaine a eu lieu, surtout en relation avec le traitement de l’information et la gestion scientifique. Il y avait, cependant, d’importantes différences entre les respectifs marchés de la vente dans les deux pays et le type de marchandise qu’ils développaient. Cela imposait des limites efficaces sur les marchandises britanniques qui pouvaient être américanisées.

AUTHORS

RICHARD COOPEY
*University of Wales, Aberystwyth and University College Worcester*

DILWYN PORTER
*University of Wales, Aberystwyth and University College Worcester*
The Americanisation of food retailing in Britain and France since the 1960s

Isabelle Lescent-Giles

INTRODUCTION

1 Historians have usually focused on heavy industry to assess the impact of the ‘American model’ in Europe. But whilst it is true that Taylorism and the Fordist production line symbolise the American way for historians steeped in the Chandlerian literature, facets of the American model were implemented elsewhere. Food retailing experienced a ‘commercial revolution’ in the 1960s, with product standardisation, mass consumption, new sales techniques and an internationalisation of taste. A ‘managerial revolution’ saw long-standing family firms such as Tesco and Marks and Spencer hire professional managers, increase market share and open shops abroad. Work processes changed radically through increased mechanisation of points of sale, offices and warehouses. This chapter argues that, from the late 1950s, French and British retailers Americanised, influenced by a new management orthodoxy spread by consultants, accountants and managers and by the success of American retailers. But even at its peak, this ‘Americanisation’ was, to borrow Luciano Segreto’s phrase, an “adaptation rather than an adoption”. British and French retailers operated within the constraints and opportunities of their own market and selected from the palette of American techniques those that suited them best: scale, diversification and internationalisation for France, standardisation and financial expertise for the UK. They were constrained by smaller and segmented markets with strong social and geographical differences in earnings and tastes. From 1975 onwards, while Americanisation increased in terms of internationalisation, concentration and management techniques, it declined in terms of product standardisation, as the focus of competition moved from price to quality and service. European retailers ditched the ‘Chandlerian American model’ in favour of flexibility and customisation in products and work practices. So, too, did American
retailers. The result was a growing convergence between American and European retailing in the 1980s and 1990s, which differed from Americanisation since leadership was now shared between European and American firms.

**THE RISE OF THE ‘AFFLUENT SOCIETY’ IN THE 1960S**

2 Urbanisation, growth in real incomes, the rise of female employment and increasing numbers of single households had a profound impact on retailing. The US population grew by 29 per cent between 1948 and 1963, but sales of foodstuffs rose by 84 per cent. Europe followed this pattern in the 1960s, as post-war reconstruction ended and real earnings started to rise. Fridges, still a luxury item in the 1950s, became a ‘must-have’ in the 1960s, boosted by the drop in prices associated with mass production: by 1974, 88 per cent of French households had a fridge and 12 per cent had a freezer. The result was a reduction in the number of shopping trips, especially for milk, butter and meat.

3 For most Europeans, shopping was a chore to be done quickly and conveniently. A 1969 survey of French shoppers suggests that speed of service was the most important factor in choosing a store, followed by the possibility of buying both food and non-food lines. By 1973, however, cheaper prices had become the main driver as inflation soared and recession loomed. This was true all over Europe. But style was also important: the young middle and lower-middle-class housewife of the 1970s found the co-ops “downmarket, cheap and frumpy” and yearned for novelty. Self-service was one answer. It came to Britain in the 1950s, some thirty years after the US then spread to continental Europe. By 1973, two-thirds of Belgian grocery sales were made in self-service outlets. In the UK, Britain’s 7,000 self-service shops had a 20 per cent share of the grocery market. The majority were small and medium-size outlets, but 400 were American-style supermarkets, offering a one-stop shop for food and basic household goods in larger outlets. They quickly attracted a devoted following of busy young urban housewives and single workers for whom speed of service was paramount. Queues at the checkout were the main impediment to growth and supermarkets invested a lot of effort and money in reducing them. At the 1960 London Self-Service and Supermarket Equipment Exhibition, the major attraction was an automatically controlled conveyor belt which “enabled the cashier to do her job with the minimum of effort and so [sped] up her part of the check-out process”. Customers emptied their trolleys and packed their own goods. Convenience and style also played a role in the success of supermarkets. They offered trolleys with child seats and an attractive environment with streamlined refrigerated cabinets and large neon lights. By contrast, traditional shops and co-ops looked decidedly old-fashioned.

4 As a result, supermarkets quickly established their supremacy in Europe. Britain led the way, with 175 in 1958, rising to 996 in 1962. But by 1972, Germany had more outlets than Britain, and France was catching up (Table 1, column 1). In terms of supermarket density, however, the leaders were Denmark and Belgium, followed by Britain and Switzerland (column 2). The Netherlands, Germany and France lagged behind while Southern Europe was almost untouched.
Table 1: Supermarket penetration in Europe at 1/1/72

<table>
<thead>
<tr>
<th>Outlet per million inhabitants</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>2802</td>
</tr>
<tr>
<td>Great Britain</td>
<td>2110</td>
</tr>
<tr>
<td>France</td>
<td>2060</td>
</tr>
<tr>
<td>Netherlands</td>
<td>622</td>
</tr>
<tr>
<td>Belgium</td>
<td>606</td>
</tr>
<tr>
<td>Italy</td>
<td>600</td>
</tr>
<tr>
<td>Switzerland</td>
<td>335</td>
</tr>
<tr>
<td>Denmark</td>
<td>325</td>
</tr>
</tbody>
</table>

Source: Marketing in Europe, March 1974, p. 3.

Contrary to received wisdom, France’s more severe planning laws did not prevent a reasonable level of supermarket penetration. Consumer pressure proved more powerful than the vested interests of small retailers and the French voted with their feet. France’s originality lay elsewhere. French retailers pioneered a new format, the ‘hypermarket’, characterised by larger stores (25,000 to 200,000 sq. ft against 4,000-25,000 for a standard supermarket) and a more diversified range of goods, including textiles (clothes, bedding, towels etc). Hypermarkets quickly spread to the rest of continental Europe (Table 2). By January 1972, France had 147, Germany 370 and Belgium 46. The UK only had 22, because British planning legislation favoured smaller outlets.

Table 2: Hypermarket penetration in Europe at 1/1/72

<table>
<thead>
<tr>
<th>Outlet per million inhabitant</th>
<th>Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>370</td>
</tr>
<tr>
<td>Belgium</td>
<td>46</td>
</tr>
<tr>
<td>France</td>
<td>147</td>
</tr>
<tr>
<td>Great Britain</td>
<td>22</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Marketing in Europe, March 1974, p. 3.

By 1989, hypermarkets and supermarkets together controlled 56 per cent of the French food market, leaving just 37 per cent for independent food retailers and 1 per cent for co-
Small shops selling dry groceries, milk, butter and detergents suffered more than butchers, fruiterers and fishmongers. Small retailers resisted better in Southern Europe, possibly because customers demanded better quality meat, fruit and vegetables, but more likely thanks to State protection, particularly in France and Italy.

**THE RISE OF THE ‘SUPERMARKET GIANTS’**

Most European supermarkets were owned by multiple retailers, old (Tesco and Sainsbury) and new (Asda, Carrefour). By 1972, Europe’s biggest supermarket group was Switzerland’s Migros, followed by Britain’s Tesco and Germany’s Tengelmann-Kaisers Kaffeegeschäft group. Europe’s supermarket chains were as varied in structure as their US counterparts. Britain favoured wholly owned chains and Sainsbury, Tesco and Safeway were the biggest players, although Marks and Spencer was the largest fruit retailer after 1964. Supermarkets concentrated in Greater London, the South, the South-East, and the North-West, mostly reflecting patterns of urbanisation and wealth. Initially situated in city centres, supermarkets spread to suburbs, with larger outlets and more parking space. France had both wholly owned chains such as Carrefour and franchised chains such as Leclerc. French franchising, though, was not as complex or organised as its US counterpart. The Leclerc group was born from a chance encounter between some farmers and Edouard Leclerc. He seized the opportunity and built a national buying group with a minimal outlay. Other groups, such as Spar, were just central buying agencies for small convenience stores.

The growth in size led some British family firms such as Sainsbury’s to follow the example of Marks and Spencer (in 1926) and Tesco (in 1947) in turning to the stock exchange. But in other European countries, most supermarket chains remained in family hands. Even amongst the firms that opened their capital to outsiders, founding families such as the Marks (M&S) and the Cohens (Tesco) remained influential. The switch to professional management started in the 1970s: Tesco managed a relatively smooth transition between Leslie Porter, son-in-law of founder Jack Cohen, and a ‘professional manager’, Ian McLaughlin. Marks and Spencer found it harder and only hired its first non-family Chairman (Derek Rayner) in 1984. Former McKinsey man Archie Norman was the first consultant to head a supermarket chain (Asda) in the 1980s.

From the late 1960s, British retailers felt the need for specialised management training. Senior managers mostly went to Ashridge and Henley Business Schools, but complained that “all case studies related to manufacturing”. Things started to change in the late 1960s: Manchester Business School introduced a distribution option on its post-graduate courses, the National Economic Development Council for the Distributive Trade sponsored research at the University of Bradford to produce case studies in retailing, and the College for the Distributive Trade developed courses for management training. The Oxford Institute of Retail Management followed later. In 1981, though, Noel Stockdale, then Chairman of Asda, complained that “we could build 12 stores a year but we could not manage them”. Asda took 120 trainees a year, straight from school, and trained them in house. By the 1990s, European store managers were still recruited from sales staff or as management trainees, and the number of graduates only rose at head office. Food retailing remained a sector where ambitious youngsters with little education could reach the top.
THE LIMITS OF AMERICANISATION

European retailers remained small compared to their US counterparts. Concentration even fell in the UK grocery business between 1961 and 1971 as more supermarket chains appeared.\(^{21}\) Europe remained a fragmented market with strong regional tastes and high inequalities. The elderly, housewives and rural households shunned industrial foodstuffs: in 1971, 69 per cent of German housewives preserved fruit and vegetables.\(^{22}\) Consumer pressure groups were under-developed by American standards. France was typical, with uncoordinated and under-funded family pressure groups and trade union offshoots competing with government agencies in a sea of consumer indifference.\(^{21}\) Britain was the only country where consumer associations had real influence in the 1960s, mainly through their magazines.

The 'American model' was adapted to national tastes and regulations. French retailers, faced with strict planning laws but favoured by weak non-food retailing chains and lax building regulations, invented the shed-like 'hypermarket' and internationalised early. UK supermarkets, faced with tougher building regulations\(^{24}\) and higher land costs, excelled at financial and land management and were shaped by the historical strength of the co-operative movement, the dynamism of non-food retail chains and the long-term consequences of food rationing on shopping behaviour. European retailers could be at the forefront of innovation. Marks and Spencer was the first to airlift sun ripe winter tomatoes from the Southern hemisphere. Although they cost 50 per cent more, they were an instant hit. Marks and Spencer saw its food sales soar from £24 million in 1960 to £97 million in 1970\(^{25}\) thanks to a string of new products for the affluent urban market.

Was 'Americanisation' good or bad for consumers? This hotly debated topic cannot be resolved in a few lines. Still, two surveys of European food prices at the end of the 1970s, based on straight price comparison and a crude version of purchasing power parity, suggest that food prices were lowest in the countries where supermarkets were well established, and highest in the countries where small shops were protected. Rome emerged as the most expensive city, with Paris only marginally cheaper. London, Brussels and Copenhagen were average (Table 3). This was confirmed by a Financial Times survey. French manual workers had to work twice as long as Britons and Germans to buy a kilo of bread (Table 4).

Table 3: Food prices (pence per pound) in 1979

<table>
<thead>
<tr>
<th></th>
<th>Rump steak</th>
<th>Pork chops</th>
<th>Potatoes</th>
<th>Butter</th>
<th>Cheese</th>
<th>Chicken</th>
<th>Cod</th>
<th>Bread</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>0.90</td>
<td>0.50</td>
<td>0.03</td>
<td>0.23</td>
<td>0.33</td>
<td>0.25</td>
<td>0.38</td>
<td>0.06</td>
</tr>
<tr>
<td>Paris</td>
<td>0.95</td>
<td>0.64</td>
<td>0.08</td>
<td>0.54</td>
<td>0.60</td>
<td>0.32</td>
<td>0.48</td>
<td>0.13</td>
</tr>
<tr>
<td>Bonn</td>
<td>1.21</td>
<td>0.70</td>
<td>0.04</td>
<td>0.52</td>
<td>0.44</td>
<td>0.30</td>
<td>0.35</td>
<td>0.12</td>
</tr>
<tr>
<td>Brussels</td>
<td>1.00</td>
<td>0.52</td>
<td>0.03</td>
<td>0.54</td>
<td>0.63</td>
<td>0.27</td>
<td>0.63</td>
<td>0.16</td>
</tr>
<tr>
<td>The Hague</td>
<td>0.65</td>
<td>0.43</td>
<td>0.05</td>
<td>0.49</td>
<td>0.52</td>
<td>0.21</td>
<td>0.46</td>
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<tr>
<td>Copenhagen</td>
<td>1.08</td>
<td>0.93</td>
<td>0.03</td>
<td>0.48</td>
<td>0.47</td>
<td>0.26</td>
<td>0.38</td>
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<tr>
<td>Dublin</td>
<td>0.58</td>
<td>0.50</td>
<td>0.02</td>
<td>0.27</td>
<td>0.28</td>
<td>0.25</td>
<td>0.40</td>
<td>0.06</td>
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<tr>
<td>Rome</td>
<td>1.00</td>
<td>0.71</td>
<td>0.06</td>
<td>0.64</td>
<td>0.65</td>
<td>0.32</td>
<td>0.97</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Table 4: Minutes of labour necessary for a manual worker to buy 1 kg of various products in London, Paris and Munich

<table>
<thead>
<tr>
<th>Product</th>
<th>London</th>
<th>Paris</th>
<th>Munich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bread</td>
<td>13</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Beef</td>
<td>119</td>
<td>188</td>
<td>157</td>
</tr>
<tr>
<td>Pork</td>
<td>82</td>
<td>204</td>
<td>149</td>
</tr>
<tr>
<td>Sugar</td>
<td>11</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Butter</td>
<td>49</td>
<td>138</td>
<td>106</td>
</tr>
</tbody>
</table>


THE TURNING POINT OF THE 1970S

In 1964, the US correspondent of Retail Business wrote: “the trends that were noted in 1961...larger and fewer stores, electronic data processing, mergers and the growth of chains, the expansion into food discounting...have become full blown”. Ten years later, these trends reached Europe. During the 1970s, Europe’s growing convergence with the US on female employment, urbanisation, single households and GDP per head caused the market for convenience food to explode. In the depressed conditions of the early 1970s, canned food (especially canned vegetables and prepared meals) was one of the few segments exhibiting growth. In 1970, French production of pasta-based meals increased by 43 per cent in volume. In 1971, sales of canned prepared meals rose by 26 per cent and consumption of frozen foods by 38.5 per cent in value. Sales of the latter reached 36,000 tons (worth 331 million francs). Fish was the fastest growing item, with vegetables next. Sales of dried soup also rocketed once the memory of war-time dried eggs had waned. However, most French mothers still thought home made soup was healthier and offered better nutritional value and ‘industrial’ varieties accounted for less than 8 per cent of the soup consumed.

The 1970s saw customers’ renewed awareness of price. High inflation led to pressures for the reintroduction of price Controls, especially in Britain. But ultimately, it was the fierce competition amongst retailers that proved the strongest incentive to keep prices low. Asda offered low prices to customers in the North. Tesco and Sainsbury fought it out by keeping prices of “basic baskets” artificially low, increasing margins on other products. Tesco’s 1977 price-cutting initiative, ‘Operation Check-Out’, succeeded beyond its promoters’ wildest dreams and established it as a potential market leader. Sainsbury followed with its ‘Discount 78’ operation. Its cost was more than offset by a rise in market share, from 7.3 to 7.8 per cent. European retailers also developed US-style consumer credit, offering credit cards with interest free credit in exchange for regular monthly repayments. But it was discounters that benefited most from the new price awareness. Born in the UK and Germany after the Second World War (although the Victorian co-operative movement was a precursor), they spread in the 1970s. The UK’s leading
The discounter, Kwik Save, was more 'European' than 'American', though, selling a limited range of goods in small town centre stores. Afraid of being taken downmarket, most shopping centres banned discounters on account of their working-class customer base. France was the exception, probably because most of its discounters belonged to 'normal' supermarket chains. Overall, the impact of discounters remained modest in Europe until the 1990s.

The Internationalisation of European Retailing

Pressure for lower prices stimulated mergers. American retailers concentrated before the 1950s, with a second wave in the 1980s. In Europe, mergers started in the 1960s and intensified in the 1970s, producing fewer larger outlets. Between 1965 and 1972, the number of grocery outlets dropped by 38 per cent in Belgium, 35 per cent in Sweden, 29 per cent in Germany, 27 per cent in the Netherlands, 25 per cent in the UK and 24 per cent in France. The US figure was 23 per cent. Concentration in Europe reached American levels although outlets remained smaller. In Sweden, seven supermarket chains controlled 74 per cent of food distribution by 1973. In France and Belgium, the top 2 per cent of grocery stores accounted for 50 per cent of total turnover. French retailers were less concentrated than the British, but more than the Spaniards and the Italians. Northern Europe was closer to America than Southern Europe.

The 1970s saw the rise of the first multinational food retailers. The Americans were the first to cross the Atlantic, driven by fierce competition at home. The Southland Corporation was typical, investing first in Britain (Cavenham Foods), then in France and in Germany. European retailers, faced with increased competition, either merged with local rivals (such as Belgium's GB and Innovation-Bon Marché in 1974) or ventured beyond national borders. In 1973, Marks and Spencer, one of Britain's most successful retailers, opened stores in Paris, Brussels and Lyon. France's Carrefour set up 50/50 joint ventures in Belgium (with Delhaize), the UK and Italy. Its first hypermarket supermarket opened near Milan in 1972, with 35,000 lines, dry cleaning, banking services and a travel agency partly owned by Club Méditerranée. By 1977, Carrefour had 26 hypermarkets abroad, including ten in Spain and three in Brazil.

But the US market was the priority for most European retailers. In 1975, Belgium's Delhaize bought Food Town Stores for $27 million. A wave of acquisitions followed (Table 5).
Table 5: European investment in US food retailing 1973-84

<table>
<thead>
<tr>
<th>Year</th>
<th>European buyer</th>
<th>Nationality</th>
<th>Acquisition</th>
<th>% held</th>
<th>Initial Investment ($million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>Delhaize Freres</td>
<td>Belgian</td>
<td>Food Town Stores</td>
<td>52</td>
<td>27</td>
</tr>
<tr>
<td>1977</td>
<td>Franz Haniel &amp; Cie</td>
<td>German</td>
<td>Scrivner</td>
<td>100</td>
<td>27.7</td>
</tr>
<tr>
<td>1979</td>
<td>Ahold NV</td>
<td>Dutch</td>
<td>Bi-Lo</td>
<td>100</td>
<td>60</td>
</tr>
<tr>
<td>1978</td>
<td>Docks de France</td>
<td>French</td>
<td>Lill-Champ</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>1979</td>
<td>Tengelmann</td>
<td>German</td>
<td>A&amp;P</td>
<td>50</td>
<td>80</td>
</tr>
<tr>
<td>1980</td>
<td>Promodes</td>
<td>French</td>
<td>Red Food</td>
<td>100</td>
<td>36</td>
</tr>
<tr>
<td>1980</td>
<td>Delhaize Freres</td>
<td>Belgian</td>
<td>Food Giant</td>
<td>100</td>
<td>36</td>
</tr>
<tr>
<td>1980</td>
<td>Albrecht</td>
<td>German</td>
<td>Albertson’s</td>
<td>6.6</td>
<td>18</td>
</tr>
<tr>
<td>1981</td>
<td>Ahold NV</td>
<td>Dutch</td>
<td>Giant Foods</td>
<td>100</td>
<td>35</td>
</tr>
<tr>
<td>1983</td>
<td>Sainsbury</td>
<td>British</td>
<td>Shaw’s Supermarkets</td>
<td>21</td>
<td>20.1</td>
</tr>
<tr>
<td>1984</td>
<td>Casino</td>
<td>French</td>
<td>Thriftmart</td>
<td>&gt;50%</td>
<td>n.a.</td>
</tr>
</tbody>
</table>


18 These trends accelerated in the 1980s and 1990s. European retailers’ (food and non-food) investment in the US reached $3 billion in 1981 and $13 billion in 1990. The top ranking international operators in US retailing were, in descending order, Tengelmann (Germany), Delhaize Le Lion (Belgium), Ahold (Netherlands), Carrefour (France), Albrecht (Germany), Promodès (France) and J. Sainsbury (UK). Carrefour tried and failed to develop hypermarkets in the US but was more successful in South America and Asia. UK retailers, on the other hand, limited their investment to one foreign market, the US for Sainsbury, Ireland for Tesco, until the 1990s. Internationalisation also took the form of international buying groups to force manufacturers’ prices down. In 1973, the eleven Spar voluntary chain organisations, led by the British, German and Dutch branches, formed a joint buying agency called Intergroup Trading, with a buying power estimated at $34 million.

NEW STRATEGIES FOR THE 1970S

19 European supermarkets imitated American retailers in cutting prices and turning to mergers and acquisitions at home and abroad. They also adopted American-style ‘shopping centres’ in order to avoid the increased planning restrictions brought by France’s Loi Royer in 1973 and Britain’s 1977 central planning regulations from the Department of the Environment. Regional shopping centres, built around a supermarket but offering space to specialist retail shops, attracted less resistance from planning authorities. Modelled on the American shopping centres dreamt up by Sears, Roebuck and Sears in the 1920s, they spread to Europe in the 1970s. Germany opened its first in 1964, and had 60 by the mid-1970s. In London, Brent Cross, opened in 1976 had all the features of a 1970s centre: large parking spaces, proximity to motorways and a concrete architecture that contributed to a feeling of insecurity, and a nose for popular ‘family entertainment’. In some cases, supermarket chains were mere tenants, but in others they were the promoters of the new shopping centres. Between 1965 and 1987, Asda built 35 shopping centres, such as the Trailwyn District Centre in Swansea, and ranked seventh on the list of developers of UK shopping centres. In the 1980s, regional shopping centres
continued to grow. UK retailers imitated their American counterparts and moved away from the concrete sheds of the 1970s in favour of glass shopping arcades and 'High Streets out of towns'.

But in the competitive and depressed climate of the 1970s, this was not enough. European retailers tried two other routes, diversification and product innovation. British retailers (in particular Asda and Sainsbury) finally built continental-style hypermarkets and increased the share of non-food items in ordinary stores. At Tesco, 38.5 per cent of sales space was devoted to non-food items by 1978. Product innovation was also explored. Some chains invested heavily in food technology. In the 1970s, Marks and Spencer started selling chilled ready meals and sandwiches. The idea came not from US supermarkets, but from America's small family deli shops. Under Marcus Sieff's watchful eye, M&S strove to replicate, by industrial means and in large quantities, the taste of family cooking. In this sense, it was the Henry Ford of family cooking. And, whilst most American and British supermarkets stuck to national dishes like bangers and mash and steak and chips, Marks and Spencer again followed American delis in introducing foreign ready meals. Italian pasta, French stews, Indian pakoras and Chinese chow mein became top selling lines. Innovation also came in the form of processes. In the late 1960s, British supermarkets followed America's lead and switched to centralised buying at regional (Tesco) or head office level (Sainsbury). This eliminated middlemen and gave them an advantage both in price and quality, as goods arrived faster on the shelves. Some went further: Marks and Spencer, having pioneered central buying techniques in the UK, started to buy directly from farms in order to influence farming techniques. New markets at home and abroad, bigger and cheaper stores in shopping centres, and new products were the recipe for success in the 1970s. For the most part, European retailers followed in the footsteps of America's retailing giants. But regional tastes and government restrictions remained important forces in Europe. Conversely, consumer activism remained marginal and own-brands, although pioneered at the end of the Nineteenth Century by the British co-ops and Sainsbury, did not have the impact in Europe that they had in the US.

GLOBALISATION AND THE CHALLENGE OF FLEXIBILITY SINCE 1977

From the mid-1970s, the development of the common market and the introduction of new technology started a revolution that moved European retailers away from the 'Chandlerian American model' towards more flexibility in products, processes and work patterns. In spite of growing convergence, the 'Euro-consumer' remained elusive. National markets varied in size, with Britain's market half the size of France. Rates of female employment ranged from 25 per cent in Spain to 51 per cent in Denmark. Geographical and sociological differences remained. Britons continued to consume Heinz canned pasta while the French went for dehydrated packets. But America too had its share of sociological and geographical differences, from California's healthy eaters to Texas' steak lovers. Lifestyles may actually be closer in Paris, London and New York, that between Paris and Poitiers, London and Liverpool or New York and New Orleans.

Supermarkets, after trying unsuccessfully for two decades to standardise tastes, started playing with product mix. Products were adapted to the region and the sociological mix of the area: in London, Fulham's Sainsbury stocks balsamic vinegar, melons and
panettone, all conspicuously absent from the Lewisham branch. There, Parson’s vinegar sits proudly next to British (green) tomatoes and apple pies. Overall, standardised foods and huge supermarkets with little personal contact are fading away. The affluent Western consumer of the Twenty-First Century wants to feel special and different, and yearns for the village of yesteryear, without, that is, relinquishing the lower prices, car parks and long opening hours of today. Both American and European retailers use this trend to their advantage. First, in architecture: supermarket buildings are moving away from the ‘utilitarian shed’. In Britain, Tesco has adopted a ‘mock-Tudor style’, complete with black beams, identical to France’s Leclerc stores in Normandy. Regional styles are in: Avignon’s recently refurbished ‘Mistral 7’shopping centre replicates a Provençal Nineteenth Century market town: the Auchan hypermarket is flanked by smallish boutiques in mock two-storied houses complete with wrought-iron balconies and potted olive trees. Inside, supermarkets have been refurbished to give that ‘old market’ feel, and counters, once a dangerous waste of space and labour, are reappearing fast, either operated by supermarkets staff or leased to small traders. California’s Andronicos’s markets, an upmarket supermarket chain, has now restricted traditional shelving to centre aisles and the three walls accommodate food counters specialising in meat, fish and ready meals. In France, the trend started in the 1980s, as the French rediscovered the ‘cuisine du terroir’. Supermarkets installed temporary stands of regional produce such as foie gras, choucroutes, and dried sausages, complete with tastings and folkloric costume. In Deauville, Normandy’s favourite resort for affluent Parisians, a centre-of-town medium-sized ‘Champion’ supermarket is snatching clients from larger edge-of-town rivals thanks to a fish counter staffed by a colourful fishmonger. In the UK, to give just two examples, Tesco reintroduced counters in the 1990s to answer consumer demands for personalised service, while Morrison adopted a ‘Market Street’ format for the layout of its food halls. 49 Sociologists attribute this to a yearning for security exacerbated by recession, fast socio-economic change and food scares such as BSE or salmonella. Consumers are turning to brands reminding them of bygone days, such as the ‘Bonne Maman’ jam featuring a white haired granny hand-stirring jam in a copper cauldron. Industrial groups have been quick to exploit this trend: most eggs sold in France and Britain, fresh from the batteryshed, are packed into boxes featuring idealised farms out of 1930s children’s books. In both Europe and America, some consumers have joined the ranks of the nostalgic in searching for old-style breeds and organic foods. Others are seeking reassurance in information, traceability and enhanced safety. This obsession with hygiene originated in America in the 1950s and spread to Europe with cellophane packing for fruit and vegetables. It intensified in the 1990s with the introduction of new safety standards borrowed from the pharmaceutical industry. Overall, consumers and retailers in Europe and America have narrowed the Atlantic gap in behaviour, strategies and structures. Concentration now reaches American levels in some countries. 51 Market segmentation and conflicting consumer demands for customised goods have been the dominant trend of the 1980s and 1990s, in retail just as in manufacturing. 

‘PLAY GLOBAL, ACT LOCAL’

23 Traditional ‘Chandlerian methods’ continued to be used in the 1980s and 1990s to cut costs. Internationalisation went further. By 1990, France’s top 24 retailers had 2,336 foreign outlets in Europe, 320 in the US, 35 in Japan and 102 elsewhere (East Asia and
South America). British retailers owned 1,335 outlets in Continental Europe, 350 in the
US, but none elsewhere (Table 6). With the rise of business to business internet dealing
and online auctions, retailers can now take advantage of manufacturers’ differentiated
pricing across countries, so that sourcing is increasingly globalised. Tesco has joined
World Wide Retail Exchange (WWRE), founded in March 2000 to enable web-based
transactions between retailers and suppliers, and has already taken part in online
auctions for canned goods. France’s Auchan, Casino, Cora, and Britain’s John Lewis, Marks
& Spencer and Safeway are also members.\(^2\) Asda now uses Wal-Mart’s European buying
division. To cut prices, manufacturers also promoted cheaper own-labels, which are at
last catching up in Europe. In the UK, their market share has risen to 35.3 per cent, close
to the US figure, and sales at Asda and Sainsbury are reaching 40 per cent of turnover.\(^3\)
Finally, American discounters are threatening to invade European markets and gain
substantial market share there.

Table 6: Internationalisation of European retailers in 1990 (food and non-food)


<table>
<thead>
<tr>
<th></th>
<th>Number of firms</th>
<th>Outlets in Western Europe</th>
<th>Outlets in Eastern Europe</th>
<th>Outlets in the US</th>
<th>Outlets in Japan</th>
<th>Outlets elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>14</td>
<td>670</td>
<td>64</td>
<td>2050</td>
<td>2</td>
<td>102</td>
</tr>
<tr>
<td>France</td>
<td>24</td>
<td>2336</td>
<td></td>
<td>320</td>
<td>35</td>
<td>102</td>
</tr>
<tr>
<td>UK</td>
<td>30</td>
<td>1335</td>
<td></td>
<td>350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>16</td>
<td>337</td>
<td></td>
<td>4</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>8</td>
<td>423</td>
<td></td>
<td>644</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>5</td>
<td>2911</td>
<td></td>
<td>810</td>
<td>520</td>
<td>1</td>
</tr>
</tbody>
</table>

\(^2\) But beyond that, Americanisation has not progressed further. On the contrary, retailers
have moved away from Chandlerian standardisation and are trying to differentiate
themselves through service. This is true both of American and European retailers.
Western consumers now want “more for less”, to quote a Tesco slogan. Retailers can no
longer offset lower prices by switching to lesser quality brands, cutting expenses on store
equipment or shelving staff. European discounters like Aldi, Netto, Ed and Lidl failed to
gain a substantial market share in the UK because consumers found their range narrow
and their environment “cheap”.\(^4\) Sainsbury, Safeway and Marks and Spencer suffered
from being stuck between cheaper operators now matching their quality and high-quality
niche players such as Waitrose. On the other hand, Tesco, by achieving the right balance
between quality, service and prices, overtook Sainsbury as market leader in the 1990s.

\(^4\) Retailers are diversifying into petrol, medicine, books and jewellery. Sainsbury offered
own-label paracetamol and plasters at a 40 per cent discount\(^5\) and Edouard Leclerc made
a name for himself in defying big petrol retailing chains and funeral parlours. Many, such
as Tesco and Sainsbury, are following the American example and selling designer jeans,
sportswear and electrical products below market price.\(^6\) Supermarkets have also tried to
improve service through new formats for stores and deliveries. Tesco reorganised its
portfolio into hypermarkets, supermarkets, petrol stations cum convenience stores
(Tesco Express) and convenience stores (Tesco Metro). The latter, situated in prime city
locations, stock basic lines and upmarket goods for hard-pressed executives. Sainsbury
and Marks and Spencer are also investing in convenience stores.\(^7\) New forms of shopping

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(Tesco Express) and convenience stores (Tesco Metro). The latter, situated in prime city
locations, stock basic lines and upmarket goods for hard-pressed executives. Sainsbury
and Marks and Spencer are also investing in convenience stores.\(^7\) New forms of shopping
are being investigated, including internet shopping, to boost customer loyalty, but they still remain marginal, in Europe just as in the US.

Service improvement has also come from increased flexibility in working patterns. Staff are now expected to switch instantly between tills, customer service, stock management and shelf replenishing to reduce queues and achieve the ‘zero empty shelves’ target. More part-timers (students, mothers, old age pensioners) are employed at peak times, again a sign of ‘Americanisation’. But the biggest difference has been made by electronic point of sales (EPOS), introduced at the end of the 1970s. Jams now come from customers unable to pack their goods quickly enough as scanners come into operation. Sophisticated software is now used to redesign store layout and staffing levels by analysing customer in-store flows. Increased mechanisation and flow analysis add up to a new Taylorism, just when Taylorism appears to be dying in manufacturing industry.

**THE IT REVOLUTION**

As early of 1968, the UK’s National Computing Centre outlined potential applications of computing in retailing and stressed that some retailers already used software for sales analysis, invoicing or warehouse location. But the biggest potential lay in scanning technology. By 1972, it was ready for implementation but did not become widely used until the late 1970s. In 1973, only 100 retail firms in the UK had Sweda electronic registers, but many retailers introduced them when Britain joined the EEC, as existing machines could not calculate the new VAT on food. Sainsbury and Tesco introduced EPOS after 1978. Tesco’s pilot store in Wellingborough was linked to a central stock control computer at head office and to minicomputers in the group’s warehouses. Whilst computerisation helped industry decentralise, it increased centralisation in retailing. Up to the 1980s, store managers were responsible for the sourcing of fresh foods, deliveries and shelf allocation. From the 1980s, the introduction of sophisticated software analysing customer behaviour, such as ‘category management’, increased the role of head office. Data gathered at point of sale on what was bought, by whom and when, is now analysed by head office staff, who alter product mix and reallocate shelves. Logistics and complaints are being dealt with at central level. So shop managers are becoming mere executants and are being ‘reinvented’ as team leaders in charge of staff motivation and customer happiness. IT software is used to reduce stocks and increase sales space at the store. Head office, informed in real time of what is being sold, immediately reorders goods from suppliers, summoned to deliver within the next hours. Retailers are also investing heavily in logistics software developed in the US but quickly introduced in Europe. In the late 1980s, Sainsbury was the first European retailer to switch to a central warehouse dispatching goods to individual stores. Automated forklift trucks cut manhandling to a minimum, as they moved goods in pallets from lorries to warehouse shelves, then back into the retailers’ lorries. But the extension of bar coding from individual items to pallets in the 1990s means that head office can now assess stocks in real time via hand scanners carried by forklift truck operators. Tesco and Asda took the lead as Sainsbury struggled with its central warehouse, already obsolete. Stores now have three ‘just in time’ deliveries a day from a central warehouse, to adjust to differing shopping patterns between mornings (old pensioners and housewives with children), afternoons (mixed) and evenings (young professionals in search of top ups and ready meals). And Sainsbury and Tesco are now developing collaborative Systems with
suppliers to improve information flows and reduce lead times. All leading retailers are also experimenting with mixed deliveries (where goods from several suppliers are Consolidated into pallets for store deliveries) and fleet management (lorries with satellite positioning Systems are rerouted according to store needs and forewarn stores and warehouses of impending arrival so that staff awaits them for unloading). All are being developed and introduced concurrently by European and American retailers at the leading edge of technology, so that the term Americanisation can no longer be applied. Retailing is converging on both sides of the Atlantic, both in terms of consumer demands and retailers' offers.

CONCLUSION

From the late 1950s, French and British food retailers entered a period of Americanisation, with, on the demand side, mass consumption and the internationalisation of taste, and, on the supply side, a management orthodoxy promoting growth through internationalisation, diversification, automation and centralisation. After 1975, the situation became more complex. In some ways, French and British retailers pushed Americanisation further: they concentrated, internationalised, diversified, mechanised, centralised and hired professional managers. But they also moved away from the ‘Chandlerian model’ by increasing flexibility, product choice and customisation. Still, American retailers followed the same patterns, so that by 2000, differences with European retailers were smaller than ever before. But this amounts to globalisation, not to Americanisation’, as leadership in product, processes and management is now shared almost equally between players on both sides of the Atlantic.

***

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NOTES

1. See several of the other chapters in this collection, and, more generally, the work of Matthias Kipping and Rolv Petter Amdam.


8. Ibid.

9. Retail Business, September 1964, p.3.


11. OGENYI 1999: 141.


18. EDC for the Distributive Trades, Newsletter, 6 June 1968, p. 7.


26. Retail Business, July 1964, p. 39


43. Ibid. 32-33.
45. Ibid.
50. See material produced by Cofremca, a European research institute on socio-economic trends.
54. Ibid.
55. Ibid., p. 24.
56. Ibid. Tesco sold Levi 501 jeans, Calvin Klein underwear, and Adidas sportswear.
60. Ibid., p. 24.
61. WALSH 1993: 94.
65. But part-timers are increasing everywhere in Europe, and specialists think they will reach British and German levels by 2010. See Spilsbury, Toyes and Davies 1993: 4.

ABSTRACTS

Ce chapitre examine l'impact du modèle américain sur la grande distribution alimentaire française et britannique depuis les années 1960. La consommation de masse, les nouvelles techniques de vente et l'internationalisation des habitudes alimentaires atteignent l'Europe une génération après les États-Unis et l'on observe une convergence vers les modes de consommation et de distribution américains. Pour autant, on ne peut parler d'imitation, mais plutôt d'adaptation. Les chaînes de supermarché françaises et britanniques sont tributaires d'un passé spécifique et contraintes d'opérer sur un marché de taille modeste et fragmenté socialement et géographiquement. Pourtant, à partir de 1975, les supermarchés britanniques et français s'imposent à côté des chaînes américaines comme pionniers de l'internationalisation des achats et des ventes, de la modernisation du métier (mécanisation, scanners, gestion informatisée des ventes et des achats, juste à temps) et des ventes (développement de l'offre non alimentaire, crédit, fidélisation et segmentation de la clientèle). Le terme 'américanisation'devient impropre au sens où les Européens n'imitent plus la grande distribution américaine, ils sont au même titre qu'elle à la frontière de l’innovation. Mieux vaut alors parler de convergence.

AUTHOR

Isabelle Lescent-Giles

University of Paris-Sorbonne - Institut Universitaire de France
British retail banks, 1955-70: a case of 'Americanisation'?

Alan Booth

1 Debates on the Americanisation of European industry have hitherto concentrated heavily on manufacturing (especially engineering), but the chapters of Coopey and Porter and Lescent-Giles in this volume mark a welcome, overdue acknowledgement of the importance of services. The retail banks should play an especially important role in Americanisation, since they both mass produce financial services and have a vital role, via credit creation, in the mass consumption of manufactures. Research in financial history has grown rapidly, but the impact of US methods, culture and technology on European financial services has yet to be systematically explored. This is unfortunate, as the banks, and the wider financial service sector, have experienced a slow, systemic cultural transformation from the 1950s. Before 1939, British banks had consolidated their position as solid, sober and even dour upholders of financial rectitude and sobriety. Their personal clients were essentially middle-class and expected to remain within the boundaries of financial prudence; access to overdraft facilities was difficult and expensive. The banks had a central role in the production of middle-class respectability by offering steady, secure employment, above-average earnings, good promotion prospects and a tidy pension on retirement. Provincial bankers were the backbone of the property owning, sherry-sipping suburban bourgeoisie. In the inter-war years, and probably down to 1960, British bank managers could expect to reduce their golf handicap in the normal course of their duties. By 1970, however, the banks had introduced credit cards, personal loans and other forms of credit purchase for immediate consumption. They were at the forefront of applying computers to the service sector. They had long been the first of the quasi-professional services to invest heavily in advertising and public relations. They were about to project themselves as internationally-oriented competitors to US, German (and later Japanese) banking groups. Moreover, they looked increasingly to the USA for new business ideas. Had they undergone a cultural transformation? This question is addressed in three stages. First, we compare British and American banking structures. Second, attention is turned to the production of financial services and the motives for computerisation in the two countries. Finally, we contrast the development of
services for British and American personal customers. The general conclusion is that British banks were driven by similar pressures to those faced in the USA, and often adopted similar solutions to those already pioneered by American banks, but with sufficient differences to raise doubts about the notion of the Americanisation’ of British banks.

BANKING STRUCTURE AND MANAGERIAL ORGANISATION

In the golden age the structure of the US banking system was unique among industrial nations. The McFadden Act of 1927 crystallised the tendency towards a vigorous regulatory system at the State level. Many States, like Illinois, allowed only unit banks or placed severe limits on branch banking, whereas others, like California, permitted statewide branch banking. The financial collapse of 1929-32 produced new restrictions on retail banks, notably by restricting interest on time deposits, prohibiting interest on demand deposits (usually called current accounts in the UK), enforcing separation of investment banking from retail banking and imposing compulsory insurance and regulation through the Federal Deposit Insurance Corporation. This System rescued US banks and restored customer confidence but was better suited to the price regime of the 1930s than to post-war inflation. After 1945, US banks found the interest rate ceiling on time deposits a handicap and compulsory national deposit insurance a cost, both of which could be evaded by non-bank financial institutions. They found themselves competing relatively ineffectively with savings and loan associations and credit unions for savings and time deposits. The most heavily-used accounts tended to remain with the retail banks, but economic growth and inflation simultaneously increased the use and the costs to banks of processing demand deposit accounts. The share of total deposits held by retail banks declined and the regulatory regime made it extremely difficult, especially in States that permitted only unitary banks, to explore solutions through scale economies. In the literature on Americanisation it is customary to assume that US firms set standards of efficiency that their European counterparts could only admire in awe. The East and West Coasts of the USA had enormously powerful and efficient retail banks, with California’s Bank of America a model for the industry internationally, but restrictions on branching in other States left a long tail of structural, legislatively-conditioned inefficiency and limited horizons. In retail banking, the American model was fragmented and diverse.

The British System, on the other hand, was characterised by concentration and oligopoly. The Big Five retail banks – Midland, Lloyds, Barclays, National Provincial and the Westminster – secured a dominant position in current account banking and the market for industrial finance, together with a prominent role in time deposit taking by 1918-20. The UK financial System was very lightly regulated, with no branching ban, no interest rate caps, no compulsory deposit insurance and no minimum capital requirements, but the Bank of England and the Treasury sought by nods, winks and other informal methods to shape and control banking policy on a purely pragmatic basis. This regulatory network intensified after 1950, when government used informal, arm’s length control of bank advances (lending) as its main anti-inflationary monetary policy. The literature has assumed that the cartel and intense regulation turned the big five into increasingly inefficient somnambulists, lacking any competitive edge, and bank chairmen were prone to such statements. However, corporate clients certainly changed banks, the extension of branch networks indicated fierce competition over quality, if not price, and non-bank
financial institutions increased their presence in deposit-taking. In this framework of intrusive regulation and subtle competitive pressures the banks made comfortable, even substantial, profits but this only intensified criticisms of the regulatory regime from all quarters; regulatory change was always on the agenda.

In studies of the impact of Americanisation on British firms, it is customary to contrast a British ‘system’ of shallow managerial hierarchies filled by (almost invariably) men who relied on character, contacts and personality, with an American model of more deeply stratified, professionally-qualified management organised into multidivisional structures. In financial services, the US model is restricted to the relatively small number of relatively large banks, but what of the corresponding British pattern? Managerial cultures in British financial services were certainly changing in the 1950s and 1960s from the traditional amateurism towards a more professional approach, but the pace was slow.

In the 1950s British retail banks were still managed at boardroom and provincial branch levels in the traditional manner. Directors of the big five were still drawn disproportionately from Old Etonians and generals of elite regiments, and ‘outsiders’ tended to find their efforts to shake up this system both frustrating and perplexing. Provincial managers also enjoyed the limited commitment that was the hallmark of the amateur, with a shorter working day than their counterparts in either the 1880s or the 1980s. But it would be unwise to exaggerate. Branch managers and their staffs in London and other major conurbations routinely worked overtime to cope with rising workloads. Head office management was professionally-trained (the Chartered Institute of Bankers’ examinations and in-service schemes), and possessed expertise that even reform-minded, ‘outsider’ chairmen recognised.

British retail banks had anyway adopted the multidivisional form in the 1930s. The most urgent structural problem for post-war managers concerned the decentralisation of management to the regions in the quest for local directors with contacts to introduce new industrial clients.

The retail banks diversified into new business areas from the mid-1950s but this tended to be via partially- or wholly-owned subsidiaries that could be accommodated into existing group structures. If the amateurishness of British bank management and the stultifying effects of the cartel have probably been exaggerated it is undeniable that the System of bank regulation was deeply unpopular. In the 1950s, the governor of the Bank of England, bank chairmen, Treasury officials and professional economists all expressed dissatisfaction with aspects of the regime. The review of the British monetary System undertaken by the Radcliffe Committee examined the performance of the retail banks. However, Radcliffe was most concerned with the machinery of monetary policy, and was positive about both the cartel and the quality of retail bank management (in part because, while his Committee was working, the banks demonstrated commercial and competitive vigour by swallowing up hire purchase companies – see below). A decade later, however, government opinions changed when rising bank charges threatened counter-inflationary policy. The Wilson government used its National Board for Prices and Incomes (PIB) to pressure the banks to improve their operating efficiency, and recommended more competition, full disclosure of bank profits and greater scale economies in branch networks. The report provoked a merger between the Westminster and the National Provincial banks, but a further merger of Lloyds, Barclays and Martins fell foul of the Monopolies Commission. The new National Westminster Bank called in McKinsey, the US Management Consultants, who advised the creation of a bigger, more internationally oriented, American-style bank to cope with the growing pressures of globalisation. The PIB’s proposal (endorsed by the
Monopolies Commission) to compel the banks to disclose all their financial information ultimately induced the Midland also to call in McKinsey when it saw that it had become the smallest of the new Big Four, with the lowest labour productivity levels.\textsuperscript{22} Although the Midland did not formally adopt the McKinsey report, it accepted the case for a more systematic and disciplined approach to increase earnings and, by implication, that its whole organisation had to become more professional. Barclays, already the most international of British banks, also used management consultants (Urwick Orr) at this time, but also turned to McKinsey in the early 1970s.\textsuperscript{23}

Thus, there is a complex story to tell of the impact of Americanisation on the managerial culture of British retail banks. The popular story of indolent, amateurish British managers is almost certainly overdrawn. It may have applied at board level, but even here the well-connected, part-time bank director was expected, and could be pressed, to use his contacts to introduce new industrial business to the bank. American business culture had already permeated British bank management in the 1930s, and the adoption of the M-form was paralleled in the late 1960s by the use of US management consultants. British banks may appear to have acted slowly, protected by the cartel, but Kipping has pointed out that McKinsey was slow to approach City firms. Only with the appointment of the former British civil servant, Sir Alcon Copisarow, in 1966 did McKinsey establish firm contacts with the British establishment and begin to expand its London office.\textsuperscript{24} The PIB report into bank charges ensured that demand would match this supply.\textsuperscript{25} The impact of McKinsey’s report on the National Westminster was little short of sensational; McKinsey worked with the bank for many years and even the Bank of England commissioned an investigation (but effectively ignored most of the recommendations).\textsuperscript{26} However, the real evidence of openness to US ideas occurs when products and processes are examined more closely.

**AUTOMATION, COMPUTERS AND AMERICANISATION**

Computers have revolutionised post-war retail banking, following on from inter-war mechanisation and the introduction of electromechanical equipment in the 1940s and 1950s.\textsuperscript{27} The potential of computers in banking had been recognised at a very early stage. The science journalist, Mary Goldring, wrote a series for *The Banker* in early 1953 on the potential of existing Ferranti computers in bookkeeping and cheque sorting.\textsuperscript{28} US banks had begun even earlier. In 1950 California’s Bank of America (BoA) began collaborating with the Stanford Research Institute to develop a large computer System for current account banking, and by 1955 it introduced an IBM 702 into its San Francisco branch to manage mortgages and instalment loans and for central-office accounting.\textsuperscript{29} Both BoA and the First National City Bank of New York had cheque-reading and sorting machines for demonstration in 1956, but with sharply differing Systems.\textsuperscript{30} The American Bankers’ Association (ABA) thus established committees to work with equipment suppliers to establish a common standard. Five major reports were published within two years, but full agreement on software standards came only in 1960.\textsuperscript{31} The proliferation of computers through the banking System after 1960 was quite astounding. By the end of 1963, almost every bank with assets in excess of $500 million had its own computer installation, as did 85 per cent of those with assets of between $100 and $500 million, and 52 per cent of banks with assets of $50 and $100 million. But very significantly in 1963-4 this represented less than 3 per cent of all US banks; and for the 77 per cent of US banks in
the smallest size categories, there was virtually no prospect of computerisation in bookkeeping or cheque-clearing.  

Immediately after the war British banks commissioned a prototype photo-electric cheque-sorter but failed to agree its development. Thereafter, cushioned by rising profitability in the 1950s and having not yet completed branch mechanisation, they made slower progress on computerisation than their US counterparts. However, their long-run competitive position was uncertain. The banks made little headway in the market for working-class savings, and nonbank financial institutions dominated the markets for mortgages and the purchase of consumer durables, and had a secure foothold in the finance of industrial machinery. The real value of current accounts fell and of deposit accounts stagnated during the 1950s, while cheque use increased at approximately 7 per cent per annum. The banks sought (and were given in the Cheque Act of 1957) legislative easement in processing the rising tide of cheques but they looked to primarily automation, especially as they feared further explosions in the use of cheques. In 1956, the British Bankers’ Association looked forward to extensive use of computers to thwart an anticipated rise in business costs. In October 1955, the Committee of London Clearing Bankers (CLCB) established its own committee of computer experts. Its “preliminary forecast in general terms” of February 1957 followed the American lead very closely, both opting for magnetic ink character recognition and encoding the key information on cheques rather than using “carrier” or “slave” accompaniments. The next key technical decision concerned the type-font to be employed, and it took the ABA 30 months to produce a consensus on the E-13B design. The CLCB took more than 40 months, primarily to allow European manufacturers to perfect their own Systems, but bankers’ patience had limits. Once Lloyds ordered an E-13B reader from Burroughs in March 1960, and CLCB had no real choice but to recommend E-13B. Barclays was also in discussions with US suppliers before the final decision was announced, and placed its order for an IBM reader in mid-December 1960.

In bookkeeping, however, the initial equipment choices favoured British suppliers. In 1959 Barclays became the first British bank to order a computer (an EMI Emidec 1100) for bookkeeping at Cavendish Square, London, but it was beaten into operation by Martins Bank’s Ferranti Pegasus II at South Audley Street, London. Lloyds installed Burroughs computers into its Pall Mall branch. Although there had been experiments with data transmission via telephone lines, most banks chose to input data on paper tape (using the latest US electronic ledger-posting machines), which was physically transported to the bank’s computer centre for overnight batch processing. The banks quickly saw the potential for on-line, real-time computing. Only eight-and-a-half years after its first branch computer had become operational, Lloyds became the first British bank to have transferred its entire branch network to a common on-line computer accounting system. The other major banks followed and the computerisation of the entire retail banking System was much faster in Britain than in the USA, despite the slow start. The shift to on-line, real-time computing was achieved on US hardware. The Midland and Barclays had earlier ‘bought British’ but switched to US suppliers (in the Midland’s case only after major difficulties with its UK supplier, English Electric, also a major customer of the bank). Both, however, endured enormous and expensive disappointments with their US hardware provider, Burroughs, and both were well behind Lloyds in going on-line.

Thus, the record of British banks in automating is better than the literature on their managerial deficiencies might suggest. Despite the cartel and the generous profits
flowing therefrom, British banks saw themselves in longrun cost difficulties. Their core personal client business was becoming more costly to operate and threatened to become even more so if the ‘banking habit’ extended down the social scale (as it continually threatened to do). Britain may have lagged behind the larger US banks in computerisation, but initial hesitations can be explained partly by prudence in the face of technological uncertainties and partly by a laudable hope that British firms, the banks’ own customers, might carve a niche in the market. If subsequent experience showed that US hardware suppliers enjoyed decisive advantages, the extremely rapid pace of diffusion of computers throughout the British banking System owed much to remote terminal software developed in the UK. The economics of network computing were changing rapidly in the 1960s, and the banks, which saw themselves as technological pioneers for the entire service sector, made major contributions to the pace and direction of change. Thus, there was much more to the rapid diffusion of leading edge electronic technologies than can be captured by the term 'Americanisation’, even if the hardware was developed and designed in the USA.

NEW PRODUCTS AND AMERICANISATION

11 The US pioneers of bank automation inevitably pushed out from the computerisation of core activities into new product development using spare hardware capacity and their in-house Systems analysts. They offered ‘external’ customers a variety of accounting operations, payroll management, the analysis of income and expenditure flows and even timetabling for State schools. Yavitz cites the case of (what he calls) ‘Manufacturers National Bank’ which established a separate division, the ‘Automated Services Center’, to sell computerised services to other bank divisions and outside clients on a fully commercial basis. Its capabilities and range of services was determined in large part by ‘external’ commercial demand. Larger US banks followed similar strategies. Medium-sized banks lacked the internal capacity to extend computerisation beyond their immediate internal needs, especially if like Yavitz’s ‘Merchants Midwest Bank’ they had bought hardware and software ‘off the shelf’. These smaller-scale, (comparatively) late automaters relied heavily on equipment suppliers to install, ‘de-bug’ and make fully operational the new Systems, and that often implied relying on the local office of the equipment supplier (usually IBM) to provide staff training. Medium-sized US banks generally lacked the internal Systems analysis capacity to make more than limited extensions to their established portfolio of services.

12 British banks, with their concentrated structure, centralised O&M and Systems analysis capabilities were also able to exploit excess capacity on their computers once core tasks had been automated. Like 'Manufacturers National Bank’, Barclays created a new division, ‘Computer Services’, to utilise spare computing capacity’, and found such strong demand that it established a joint venture with ICL to supply commercial and technical bureau services to outside customers. Midland had a similar operation. More routine was Lloyds’s extension of computing to much of its work for commercial clients (the executor and trustee department, the registrar’s department and in foreign exchange dealing). It has been suggested that the computer revolution helped awaken British bank management from a deep slumber induced by the cartel and administrative regulation. However, British banks offered their customers new products throughout the 1950s. The City branches of all banks competed in offering commercial services to public industrial
companies (especially those to whom they were supplying more traditional banking services), notably through a registrar's department to handle various aspects of the management of their share registers.\textsuperscript{13}

As noted, the cartel and administrative guidance inhibited British banks from competing directly in lending to either personal or business customers, resulting in friction between the banks, their customers, the regulators and ministers. The Bank of England's response was to use the recession of 1958 to end the administrative guidance on bank lending and replace it with a System of special deposits, by which the Bank could influence bank lending more transparently.\textsuperscript{46} The formal relaxation of credit control unleashed a phase of hectic competition in banking. The most obvious growth areas of new business for US banks had been in personal loans for the purchase of consumer durables. The Bank of England had actively discouraged the retail banks from entering this business, and the non-bank finance houses had come to dominate the market with hire purchase. The recession of 1958 raised severe doubts about the financial soundness of some of these companies, and in the new, more liberal atmosphere the Bank of England indicated that the retail banks could now participate in hire purchase as long as they separated this business from ordinary banking and channelled it through subsidiary or associated companies. The Midland, which had earlier established a new business committee to study developments in the USA and Australia, had long been ready to go.\textsuperscript{47} In September 1958, it launched new personal loans for private customers modelled on US practice. Like its competitors, the Midland had been looking into hire purchase; and by September every major retail bank had a controlling interest in a hire purchase company.\textsuperscript{48} The banks hurtled into this area, persuading the Radcliffe Committee (very interested observers of these developments) that the commercial bank cartel was perhaps less restrictive and stultifying than previously thought. The other main fruit of Midland's new product development was a US-style, cheque-only current account, which acted as a feeder of new clients into more profitable services, but was ultimately disappointing in extending 'the banking habit' down the social scale.

But this rather frenetic extension of personal financial services forced British banks to reassess the image that they presented to the public. Bank advertising for personal customers probably began only in the inter-war years, but the style and content were stiff and stuffy.\textsuperscript{49} In the 1950s advertising improved and banks began to establish public relations departments. Significantly the Midland accompanied its push for new personal customers from 1958 with the first television advertising campaign by any British bank and the appointment of a full-time public relations officer.\textsuperscript{50} From the late 1950s the banks began to supply the newspapers with tasty morsels, notably the bookkeeping machine that glowed red when it sensed an overdraft and the opening of 'drive-in' bank branches in deepest Essex. Indeed, the rediscovery by Britain's criminal underworld of the techniques of bank robbery in the late 1950s provided the press with a steady stream of human interest stories about plucky bank staff. The banks derived the maximum, sober publicity for the opening of their central London computer centres. But sobriety remained the watchword. In 1960, they collectively agreed to withdraw from competitive ITV and cinema advertising and anyway were much more comfortable with prestige advertising than with hard sell copy that the biggest, most commercial US banks were beginning to deploy. There were comparatively few cloth caps evident in British bank advertising and the central theme remained the bank account as a symbol of prestige. Whether existing customers demanded 'dignity' or whether banks calculated that
working-class customers were unprofitable is difficult to judge. The overwhelming target audience was the relatively young, relatively affluent adult, whether embarking on a university degree, a white-collar career or blissfully happy family life — as befitted class rather than mass banking. The cultural attachment of the British working class to weekly payment in cash remained strong. For all these efforts by the banks to portray themselves as friendly, welcoming organisations, British manual workers and their families overwhelmingly preferred to handle cash rather than cheques and to deposit their savings into industrial Insurance companies and mutually-owned savings banks and building societies, not least for the preferential position in the queue for mortgage finance that the last provided. Britain’s Big Five did not create US-style mass banking.

One US product, however, translated more easily to the UK, the credit card. US bank credit cards spread rapidly in the 1950s and within a decade became dominated by two rival groups, the Interbank Card Association, with its Mastercharge/Mastercard and the pioneer, National Bank Americard Inc., with Visa. Once established in the USA, in the 1960s the two companies began to explore the global market. BoA linked with Barclays, which announced its new Barclaycard in February 1966. It was a bold idea to issue credit cards to any credit-worthy customer whether or not already an account holder with the bank, especially at a time of rising concern about credit-fuelled inflation. Barclays argued that the credit card was yet another measure to expand their customer base and to cap costs by offering a cheaper alternative to the cheque. The other British banks eventually had to follow suit and established the Joint Credit Card Company and the Access card, aligned with ICA and MasterCard. Card technology could also be used to increase the use of banknotes as another way to cap the growth of cheques. In June 1967, the world’s first cash dispenser was installed by Barclays, outside its Enfield branch, to allow customers to withdraw cash at any time. Despite initial fears about the reliability of the technology, these machines spread very rapidly. British banks also developed a note payment machine, pictured in the press giving “ten florins in exchange for a £1 note”! Although somewhat outside the period covered, it should not be surprising, given British banking expertise in on-line computing from remote locations, that the first on-line cash dispenser should have been installed by Lloyds in 1972. Thus, British bankers, for all their fabled conservatism, lack of imagination and preference for a very easy life, oversaw an enormous expansion in the range of banking services from the mid-1950s. This chapter has tended to concentrate on services for the private consumer and has emphasised the responsiveness to new products developed by the large banks in the USA, but an equally impressive list of developments for agricultural, manufacturing and service sector clients could have been produced. British bankers were professionally interested in US developments; their professional journal, the Banker, monitored the American scene very closely, with particular attention to consumer products and technological advances. Indeed, all the major US banks were operating in London and their methods and dynamism could be seen at first hand.

CONCLUSION

Does this catalogue of American influences on British banks amount to the Americanisation of the British financial services? First, it is necessary to bear in mind that US banking contained the notoriously inefficient banks in addition to the world renowned Bank of America, Citibank, Chase Manhattan et al. The huge variation in US
banking efficiency was caused by the peculiarities of its regulatory regime, just as Bank of England regulation imposed a distinctive stamp on domestic financial performance.\textsuperscript{58} Given the impact of the regulatory regime on performance in any national financial sector, it is unlikely that Americanisation could ever shape British banking or Anglicisation shape US banking for that matter. Nevertheless, British banks played a full part, when allowed by the Bank of England, in the development of a post-war, credit-led, age of mass consumption in the UK. The British banks were not slow to appreciate the importance of advertising or good public and press relations. They were also surprisingly quick and nimble, given the customary and justifiable criticisms of bank management at many levels, in seeing the potential of automation and in pushing the technology of computers to meet distinctively British branch banking needs. The main weakness of British banks was excess confidence in the ability of British firms (almost invariably customers of the bank) to supply computer hardware. But the buy-British banks had been successful in the first phases of automation and British firms successfully supplied other technology, notably the cash machine. Precisely how this most conservatively-led industry became quite so technologically dynamic in a field with so much potential for disaster, while at the same time resisting reform of its own top managerial structures, remains to be answered. Even imperfect managerial structures can identify the obvious targets for an organisation – to increase the number of customers and reduce costs in the most threatening area – especially when they have long been ingrained into the business culture. The real changes occurred in the later 1970s, when British banks found that they no longer needed to be retail banks, relying on an increasingly tenuous position in domestic deposit-taking. The growth of London’s Wholesale money markets and the huge opportunities in the Eurocurrency markets (both evident in the 1960s) and the expansion of foreign exchange dealing in the 1970s allowed British banks to exploit greater freedoms in the regulatory environment. But this was for the later 1970s; until then the Americanisation of British financial services before 1970 had a distinctively British coloration. This was Americanisation overlain with British notions of respectability, and represented more extensive financial services for the comfortably off. Cheaper, more plentiful financial services reached the democratic mass more by accident than design, and the problem of uncertain access to credit for the poorest 25 per cent remains in the Twenty-First Century.

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NOTES

1. Retail banks take deposits from and lend directly to personal and corporate customers of their branches.


21. The best discussion is in Ackrill and Hannah 2001: 171-84.


33. CAPTE and BILLINGS 2001; letter from T. Hollis, formerly Assistant General Manager, Group Management Services, Midland Bank, 5 December 2001.


42. TUKE and GILLMAN 1972: 90.

43. WINTON 1982: 188.


45. HOLMES and GREEN 1987: 229.


51. The retail banks successfully lobbied for the repeal of the Truck Acts to allow employers to pay wages and salaries by cheque and credit transfer, but workers were profoundly uninterested.

52. COOPEY (forthcoming).


55. COOPEY (forthcoming).

56. TUKE and GILLMAN 1972: 90.

57. COOPEY (forthcoming); The Times, 27 June 1992; TUKE and GILLMAN 1972: 90.

58. Comparative productivity measurement in services is notoriously difficult, but levels in financial services and banking more narrowly appear similar in the USA and UK at this time: S. BROADBERRY, “How Did the United States and Germany Overtake Britain? A Sectoral Analysis of Comparative Productivity Levels, 1870-1990”, Journal of Economic History, 58 (2), 1998, Table 1; CARNEVALI and HANNAH 1995: 74-5.
Cet article étudie l’impact de la culture, des méthodes et de la technologie américaines sur les banques de dépôt britanniques. Les banques américaines pratiquaient le commerce de masse de leurs services et encourageaient le crédit à la consommation grâce à des prêts personnels standards, en utilisant la publicité directe et en faisant un usage judicieux des relations publiques. Les plus grandes banques américaines s’informentèrent pour limiter l’essor des coûts de la banque de masse. Les banques britanniques furent influencées par les technologies américaines, employant toujours plus de consultants en management américains. Mais elles conservèrent des pratiques de classe pour l’offre des produits, le marketing et leur culture générale. De même, les consommateurs britanniques issus de la classe ouvrière gardèrent leur préférence pour l’argent liquide et l’épargne dans des institutions financières non bancaires. Ce fut une américanisation partielle.

AUTHOR

ALAN BOOTH

University of Exeter
The limited Americanisation of the French woolen industry, 1945-1975

Jean-Claude Daumas

1 Up to now, historians have assumed that the modernisation process in the woolen industry started with the 1951 US productivity mission. Such an interpretation is based on the analysis of the report drawn up by the productivity task force on its return. This chapter suggests that, although industrialists preached modernisation in public, change on the shopfloor was limited. This conclusion is based on an analysis of the wider context of the post-war woolen industry, with its growing awareness of the sectors' inadequacies, and on a study of the industry's practices. We will therefore start by an overview of the woolen industrialists' thinking during the post-war era, before moving on to a case study of Blin et Blin, an emblematic family-run woolen firm based in Elbeuf (Normandy), with a particular focus on marketing and management practices.

DEBATES IN THE FRENCH WOOLLEN INDUSTRY FROM 1945 TO 1953: AN EXERCISE IN SELF CRITICISM

2 At the end of the Second World War, the French woolen industry became acutely aware of a growing technological backwardness dating back to the 1930s and embarked upon an exercise in self-criticism, analysing its weaknesses and listing potential remedies. At a conference entitled 'How will current trends affect the position of the Roubaix-Tourcoing textile district', held in May 1945, Ernest Wattel, a member of the Centre des Jeunes Patrons (the Young Employers' Association), drew a very bleak picture of the Roubaix district, then France's leading centre for woolens. He thought that its major weakness was the “multiplicity of autonomous, fiercely independent and competing small firms with insufficient capacity and low productivity due to out of date production equipment”. Modernisation would fail unless concentration increased. At the same time, firms had to reduce costs through a comprehensive set of measures, including the creation of a centre for information and data gathering, research laboratories "turning textile studies into a science", and common energy and water treatment installations. He also advocated joint
purchasing of raw materials, energy and machinery and the standardisation of equipment and output, as long as it did not “jeopardise the variety and novelty which are the hallmark of our textile centre”. Finally, Wattel stressed that “a wind of social change blew across the country”, which would increase with economic recovery. Paternalism, he thought, was outdated as “workers aspired to security, dignity and affluence”.

3 Wattel’s analysis was shared by many in the trade. In May 1945, a survey of the woollen industry published by the publicly funded Centre Interprofessionnel d’information confirmed the weight of family firms and the fragmentation of production. A majority of goods were made-to-order and most machinery was between 25 and 40 years old. The answer laid, it suggested, in product standardisation, scientific management of work and better accounting standards, including the introduction of standard methods of cost accounting. These views built upon the plan drawn during the war by the French Ministry for Industrial Production and the General Committee for Textile Organisation to improve the competitiveness of the French textile industry after the war. It called for new machinery, mergers, increased plant specialisation, and recommended introduction of double shift work and product standardisation.

4 In 1946, the preparation of the Monnet plan gave a new impetus to the analysis of the woes of the woollen trade. But the textile commission lacked momentum as it refused to accept two key aspects of the overall plan. Consumption, it argued in its first report of October 1946, should not be sacrificed on the altar of post-war reconstruction. It also was against radical changes in equipment, preferring a gradual phasing in of any changes. The rest of the report simply re-stated the widely shared view that the problem lay in archaic machinery, low productivity insufficient concentration, deficiencies in the French machine tool industry, insufficient information sharing with distributors, depreciation rules unfavourable to long-term investment and lack of research to improve quality.

5 In its final report, published in 1948, the commission set the industry a double target: to switch from a logic of underproduction to a logic of strong competition, and develop export markets. In order to achieve this, companies were pressed to speed up the introduction of new equipment, with the caveat that foreign imports should be kept in check; and also urged to pursue rationalisation, product specialisation and standardisation, increased co-operation, and invest more in research.

6 Building on these principles, the woollen sub-commission formulated a detailed strategy for the woollen industry. In order to increase production, companies had to introduce change both in machinery and output. They needed new, improved and standardised equipment. Automation had to be a priority, both in spinning, with the introduction of rings to replace the mules, and in weaving, with the adoption of automatic looms to replace the classic semi-automated ones. The second recommendation was to increase research into the quality, the strength and the treatment of woollens. Change in output had to be articulated around product and process change. Product standardisation was the key to reaching a mass market. It would enable firms to offer cheaper products without reducing quality, and would pave the way for plant specialisation and company concentration. At the same time, increasing output called for changes in work organisation. This meant reorganising the shopfloor, through the introduction of comprehensive planning Systems, the application of Bedaux methods, improved working environments in terms of lighting, air conditioning and safety, and better industrial relations. The report also argued that the only way to solve current labour shortages was through better training, in order to increase the productivity of the existing workforce.
All this suggests that the French woollen industry was perfectly aware of its weaknesses and knew some of the answers well before it sent its first task force to America. But the American trip brought new worries and led the profession to readjust its strategy to take the ‘American model’ into account. How did the French productivity mission perceive this ‘American model’? During their seven-week stay in September and October 1951, the French productivity mission for woolens visited ten wool manufacturers and the major textile machinery producers in the North East. Its findings were summarised in two publications: *Productivité. Rapport provisoire de la Mission de productivité de l’industrie lainière* in 1952, and *Industrie lainière et productivité* in 1953. The Comité Central de la Laine (CCL) (National Woollen Commission) campaigned to give these findings a wide audience. Nine ‘productivity days’ were organised in the major woollen centres. It also set up a productivity committee in December 1952, which two months later proposed six priorities: first, to gather and circulate existing research on productivity; second, to define a common language for the productivity debate; third, to gather data on productivity in the French woollen industry; fourth, to commission in-depth studies of about 25-30 firms to work out realistic targets; fifth, to run pilot schemes in a handful of firms chosen as ‘productivity laboratories’; and, finally, to gain the cooperation of the workers’ unions for these schemes.\(^{11}\)

CCL leaders were perfectly aware of the difficulties involved in transferring American methods. They identified four main obstacles: the lower quality of the raw materials used in France, the limitations of a smaller home market, the huge cost of the necessary investment in machinery and a work ethic based on differentiation and craftsmanship rather than standardisation and mass production.\(^{12}\)

It is fair to say that the members of the productivity mission did not discover new machinery. In their eyes, American superiority came from the following factors: high concentration, full integration of all stages of production from raw material to finished product in the same hands, better equipment and a more rational organisation of plants, including the mechanisation of handling, better production flows, standardised machinery and multiple quality checks. But this in itself was not sufficient to explain the US lead. The single most important factor, the task force reported, lay in “the human factor”. This included the quality of the workforce, the organisation of work and the social environment. The American workforce was more carefully selected, had better training and was more homogeneous. It was capable both of team spirit and individual initiatives. Younger and better trained, the foremen had broader responsibilities than their French counterparts, who had risen through the ranks. Whilst Taylorism was rare in the French woollen industry, the whole American work organisation was based upon it. Engineers in central departments worked out shopfloor organisation and production processes, giving a lot of attention to production times and movements. As a result, tasks were better defined. Other factors proved favourable to productivity growth, in particular a more collegial management, organised along functional lines, better industrial relations, collective bargaining, arbitration systems to solve internal disputes, enhanced safety policy on the shopfloor, regular provision of information to employees, and clearly defined career paths for internal promotion, worked out by efficient personnel departments.

This analysis led the CCL to work out a “productivity strategy” with nine recommendations: investment in new machinery; reorganisation of work to make individual tasks easier; stricter quality controls on raw materials; creation of
departments of engineering processes; establishment of industry wide standards; recruitment of engineers trained in work organisation; more training and incentives for the workforce; increased powers for the foreman; and better relations with the unions. However, the report fell short of detailed recommendations as to how best to achieve this transfer of American methods to the French context. Little thought was given to some obvious obstacles in particular lower average earnings, a tradition of conflict in industrial relations, and a management culture steeped in autocracy and unused to working along functional lines. Another serious shortcoming of the report was its lack of interest in mass consumption. Leaders of the woollen trade chose to focus almost entirely on technical issues and to ignore markets issues. Whilst the CCL was aware that introducing American methods in the French woollen trade would not be easy in view of the deep differences between the countries’ markets, they chose to concentrate on issues of market size and distribution problems rather than focus on the strategy and tools needed to develop mass consumption of their goods.

A MODERNISATION THAT FELL SHORT OF ITS TARGET

In his study of the woollen trade’s productivity missions, Jean-Pierre Daviet claimed that “looking back, practically all progress made within the last thirty years of affluence was set out in its report”. This view needs to be qualified: first, the CCL programme was not fully implemented; second, many measures were reinterpreted in the face of French industrial culture and failed to make an impact on productivity; and finally, some of these changes had little to do with ‘Americanisation’. The American model lost its appeal for most French manufacturers as early as the 1950s. It is time to re evaluate the impact of Americanisation on structures, machinery and industrial relations.

In the 30 years that followed the war, overall concentration increased, but mainly through mergers at the top. For while the number of medium-sized and large firms declined between 1954 and 1973, the percentage of small companies increased. There were significant differences, however, according to types and production stages: in 1969, the share of output of the top ten spinners was 56 per cent in worsted, but only 33 per cent in woollens. The top ten weavers controlled 40 per cent of output. In terms of numbers employed, concentration increased in carding and the spinning of worsted yarns, but decreased in the spinning of woollen yarns and in weaving. And, throughout the 1960s, vertical integration declined in woollens, where carding, spinning and weaving had long been associated within firms. Still, the key phenomenon was the creation of industrial groups: in 1970, France boasted the first European woollen company, La Lainière de Roubaix, an industrial group with 15,800 employees and Consolidated sales of F565 million. Three medium-sized groups, Tiberghien, Weil and Roudière, also ranked amongst the European top 25. These groups, though, were no more than a juxtaposition of smallish family firms, linked by strong financial solidarities and a common group strategy, but with little plant integration. Overall, this was not quite was the trade and the authorities had anticipated. Rationalisation owned more to changes in levels of activity than to strict modernisation. Plant and financial concentration only increased in worsted, where output grew by 83.2 per cent between 1953 and 1973 and the switch to Chemical fibres called for massive investment. But in woollens, where production dropped by 27 per cent, and in weaving, where output grew by just 9 per cent under the combined attacks of hosiery and Italian imports, large units disappeared, leading to an
increase in the weight of small and medium-sized companies. Worse, the vertical integration of production and distribution advocated by the CCL and Planning Office made no progress in spite of being recognised as the main factor behind the Italians' success.\textsuperscript{16} French woollen companies continued to sell through large Parisian merchants and purchasing groups. This cut their margins and kept them out of touch with their customers.

Investment in plants increased by 117 per cent between 1956 and 1975\textsuperscript{17}, but the pace of automation varied widely between stages of production. Worsted accounted for 43 per cent of all investment, and by 1965, the last mules had given way to automatic rings. But in woollens, progress was less spectacular and mules still accounted for half of all machines in 1975. In weaving, automatic looms went from 15.6 per cent of machines in 1953 to 73.6 per cent in 1975, without completely eliminating old machinery. Unfortunately, an older type of automatic loom was preferred in 55 per cent of cases to the newest version of shuttle-less looms.\textsuperscript{18} The Roubaix-Tourcoing area, which specialised in worsted, was responsible for two-thirds of capital expenditure. Automation reduced staffing levels by 55 per cent between 1950 and 1974, with the workforce shrinking from 123,869 to 55,423.\textsuperscript{19} Expensive machinery was used more intensively, especially in worsted, where investment was highest, thanks to the spread of double and triple shifts. The proportion of the workforce working three shifts jumped from 22 per cent in 1954 to 76 per cent in 1972 in carding, from 8 per cent to 55 per cent in worsted spinning, from 5 per cent to 10 per cent in woollen spinning, and from 1 per cent to 22 per cent in weaving.\textsuperscript{20}

At the same time, white collar staff (employees, technicians, supervisors and executives) rose from 10.9 per cent of the workforce in 1954 to 21.8 per cent in 1975.\textsuperscript{21} The result was an increase in labour productivity of 131.8 per cent between 1950 and 1974. But this must be put into context: the industry's annual growth, at 4.2 per cent, was lower than the French industrial average of 5.4 per cent. And between 1960 and 1974, the rise in earnings outstripped the productivity increase (118.5 per cent against 35 per cent). In short, investment was not sufficient to revolutionise production processes.

In America, the wool manufacturers realised the importance of involving workers and trade unions in the drive for productivity.\textsuperscript{22} Nevertheless, French employers chose a social policy called ‘paritarisme’ which was miles away from the American model. They tried to win support for their modernisation plans by institutionalising commissions on work issues (salaries, standards, safety and hygiene, and so on).\textsuperscript{23} First tried in Roubaix, this policy was extended in 1951, when the association of wool manufacturers signed a general agreement with the trades union on working practices in the trade. This included an article stating that the benefits of productivity rises should be shared between consumers, employees and the firms, and that the drive for productivity must not increase the workers’ load to such an extent as to damage their health. A second agreement signed in 1953 with all unions, save the communist CGT, confirmed this and established 50-50 commissions at national, regional and local level, where unions could voice their opinion of the sectors' social and economic policy.\textsuperscript{24} In doing so, industrialists tried to give unions “an understanding of the industry’s problems without relinquishing any sovereignty or real control”. Many workers felt the unions had been duped and that “it was useless to discuss the employers’ policy as it would not stop them implementing their decisions anyway”.\textsuperscript{25} In their eyes, productivity increases had not led to significant pay rises, but only increased fatigue and the probability of redundancies.\textsuperscript{26} Workers' disaffection became so strong that in 1962 the main Christian union, the CFTC, which had
supported the initial move, denounced the 1953 agreement. From then on, negotiations were conducted under the government’s auspices. Efforts to build better industrial relations had failed because of their limited scope and their ambiguities.

The limited modernisation achieved by the woollen trade led the Planning Office to issue a very critical report in 1969. Six issues remained unsolved. Concentration was insufficient and the leading firms were smaller than their foreign competitors. Overcapacity was endemic thanks to the survival of marginal players with equipment which had been paid for long ago. Plant modernisation lagged behind that of most industrialised nations. Levels of research and professional training remained inadequate. Only a handful of firms used modern management methods and most producers suffered from insufficient links downstream with clothes’ manufacturers and retailers.

BLIN ET BLIN: A CASE STUDY

A sectoral approach does not fully explain the delays and failures of the modernisation process, especially market and management failures. In order to do so, it is necessary to study companies. Blin et Blin, which has exceptionally detailed archives, offers some insights into what went wrong. Blin et Blin was founded in 1827 in Alsace but moved to the Normandy town of Elbeuf after the German annexation. During the 1920s, it opened subsidiaries in Northern France and Britain and became one of France’s leading woollen manufacturers. In 1958, it occupied thirteenth position by sales and number of employees, and specialised in luxury woollen cloth, which proved less and less suited to market demand after the war. Blin turned to exports to compensate for a declining home market and twice won an ‘Oscar’ for best exporter. But its problems increased in the 1960s as sales continued to drop. Aging machinery, under-investment, family quarrels, management apathy and rising staff turnover and costs eventually led to closure in 1975. Blin’s history illustrates the dilemmas of a sector where family firms specialising in high quality niche markets were plethoric.

The sources do not offer many insights into the evolution of woollen management methods during the age of affluence. In 1969, the Planning Commission stressed that only a handful of firms had adopted American-style management methods. La Lainière was one: its top management possessed university degrees, family members had stepped back from day to day management, and the firm had adopted a functional organisation and standard accounting methods. But apart from a handful of timid attempts at adapting American techniques, the majority of firms remained faithful to a traditional management model. This involved direct family control through an autocratic CEO, changing and ill-defined organisation charts that eschewed functional organisation, an obsession with secrecy, haphazard accounts with no cost accounting, and little attempt at personnel management.

The Blin et Blin archives offer some insights as to why American-style management methods were not adopted. Management and staff alike were deeply reluctant to change and favoured the status quo. Major issues were put aside, and by the time they were addressed, it was too late to save the company. This was made possible by the lack of professional management and some organisational failures. The first problem was an autocratic management style. The Blin family retained total control over both the firm’s strategy and day to day management. The CEO, always a family member, exercised
absolute power over other family members and the professional managers, who were mere executants, implementing orders from above. Nearly all the CEO's time was spent managing day to day operations. He had little time to think of the wider picture and refused to be drawn on what he called "the big issues". He and the other top managers focused on short-term problems and dealt with them on a day to day basis, without thinking of the overall strategy. Demands by some shareholders for an independent audit were fiercely resisted by the CEO, who found the idea "useless, costly and dangerous". He preferred the status quo and did not wish to disturb the alliances forged inside the boardroom.

This autocratic management style was compounded by failure to adopt a functional organisation. Production responsibilities were split by stage (spinning, weaving, dying and finishing) and sales by geographical market, with a further division between men's and women's wear. The lack of a production manager, on the one hand, and of an overall sales manager, on the other, meant no-one focused on organising production, on measuring investment, productivity and costs, and on analysing market trends. This goes a long way to explaining the obsolescence of the machinery and the growing chasm between products and market demands. Besides, the fact that some managers were in charge of both production and sales, and that strategic and operational responsibilities were not clearly defined, led to conflict and tensions.

A third weakness was a lack of professional training. In 1969, only 20 per cent of managers had university degrees and 41 per cent had no degree at all. They learned on the job and rose through internal promotion, as the company preferred empirical knowledge and experience to theoretical knowledge. This was clear from the decision-making process: managers had to rely on their intuition, as they had no support team in charge of gathering information and analysing it. No systematic research was conducted about markets, competition and investment. Worse, standard methods of accounting were not applied before 1968, so that the accounts were of little help as a decision-making tool. All this led the company to some disastrous decisions. For example, it tried the shuttleless loom in 1967, before most competitors, but decided against it. Unfortunately, this loom spread and replaced older technologies in the 1970s.

Resistance to the introduction of professional management was strong. Mounting criticism of the company's organisation and working practices was mostly ignored by top management. The only major change was the creation of a post of 'technical director', as top management recognise the crucial importance of productivity and costs in ensuring the company's survival. But the introduction of professional management was fiercely resisted. In 1949, 1964 and 1971, the company hired engineers from one of the top engineering schools, trained in modern management techniques. They were put in charge of sorting out production, investment and costs. But faced by a fierce resistance from workers unwilling to change and a total lack of support from other managers, all three were rapidly isolated and preferred to quit. This suggests that Blin's corporate culture was deeply resistant to change.

Fascinated by the potential of the US market, the managers of Blin et Blin made several attempts to develop sales of woollens to America. In 1947, they entered into a joint venture with some Boston merchants, the Verney Corporation, to sell quality camel cloth for overcoats, which ended in total disarray. Verney, feeling the time was not right, did not exhibit Blin cloth at the New York 1947 textile fair. For their part, Blin could only deliver 40 of the promised 500 pieces, at a price that was totally unacceptable in the
American market. The deal had not been thought through, especially with regards to supplies, production costs, exchange rates and duties. Undeterred, Blin tried again in 1952 with a subsidiary of a French cloth merchant company, the Ducharne Silk Corporation. For a while, sales were high: between 1955 and 1960, they represented about a third of the firm’s exports, but they declined rapidly during the 1960s and became insignificant in the 1970s. These failures can be explained by the firm’s high prices, which prevented it from entering the lucrative tailoring market. In this highly standardised market, originality and flair came second to price. In France, prices were fixed in relation to production costs, but in the US, demand determined the final price of goods. The Blin management failed to grasp this difference. This, according to the Textile Industry Union, was a mistake common to many French would-be exporters to the US: “French industrialists cannot expect to succeed if they do not recognise the specific character of this market and adapt their marketing structures accordingly... As long as they refuse to recognise this specificity and will not change their strategy and organisation, the French textile companies will only know limited and one-off success”.

Blin’s pattern of exports illustrates this failure to adapt to the rising mass market. Between 1955 and 1970, its sales to industrialised countries, mainly in Europe and North America, dropped from 77.4 per cent to 24 per cent, whereas exports to developing countries rose from 22.1 per cent to 45 per cent. It gradually lost market share in countries where consumption entered the age of mass markets, tastes became standardised, off-the-peg tailoring became the norm and large retail chains dominated sales. Blin tried to compensate for these losses by developing exports to countries where inequalities remained high and where the elites strived to differentiate themselves through a dress code that involved small tailoring outfits and cloth bought by the meter. For Blin, rising exports (they went from 12.4 per cent of total sales in 1946 to 56.6 per cent in 1970) were not a success story. They showed the firm’s desperate attempt to find new markets for antiquated products and its inability to adapt to the needs of the ‘modern’ Western consumer.

CONCLUSION

The American productivity mission of 1951 brought new insights to the debate on the future of the French woollen industry. But the industry had already given much thought to its problems and possible remedies. Factory modernisation and company integration were driven by competitive pressures rather than by a will to imitate American manufacturers. Overall, the American model had a very limited influence on strategic choices and organisation. Product standardisation, integration of production and sales, and the redesign of factory lay out remained an exception. Most companies paid lip service to modernisation but failed to implement it to any great extent. Woollen manufacturers could not convert from a ‘production culture’ to a ‘market culture’. In particular, they failed to adapt their prices and products to an emerging mass market. Many firms, such as Blin et Blin, which had built their success on high quality goods, disappeared when consumers switched to cheaper products. And whilst it is true that some firms, mostly in the North and Southwest, did increase mechanisation and experimented with synthetic fibre to make products that were both cheaper and more user friendly, nearly all of them failed to adopt modern methods of marketing and sales. In the end, the main impact of the American model was to refocus attention on the
'human factor' behind the success of American firms. But only a handful of the biggest companies adopted modern management methods, and the French solution of ‘paritarisme’ ended up as a very poor substitute for American-style industrial relations. The woollen industry offers a good example of a limited modernisation which fell short of full Americanisation.

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NOTES

1. I am deeply indebted to Isabelle Lescent-Giles who translated this article so skilfully.
3. For the 'productivity missions' in a wider context, and debate about their impact, see Ibid.
4. 79 J 1681cc 833, Archives Départementales du Nord (Lille).
5. CCI, Monographie de l’industrie lainière, SA 63, Service des Archives Economiques et Financières (Savigny-le-Temple).
6. F 12 10426, Archives Nationales, Paris [hereafter AN],
8. Plan Monnet, Commission du textile, F 12/10434, AN.
9. F 12/10435, AN.
13. Ibid.
14. CCL, Journée d’études de Paris le 28 mai 1952 and “Programme en matière de productivité”, 1 September 1953, F12/10542, AN.
ABSTRACTS


AUTHOR

JEAN-CLAUDE DAUMAS

Université de Franche-Comté
Harnessing Americanisation: the case of the Zellidja Mining Company

Samir Saul

1 The Société des Mines de Zellidja was founded in 1929 to extract lead ore at Bou Beker, in the north of the French protectorate of Morocco. Although it had concessions and exploration permits covering territory presumed to contain important deposits, the company led an undistinguished life as a family concern until the Second World War. After the war, it decided to undertake exploration and expand output but had to seek the technical know-how and equipment to carry out such a programme.

2 To that end, it enlisted the assistance of two US mining companies. Engineers visited Bou Beker to evaluate needs and make recommendations for the mechanisation of extraction. In turn, Zellidja officials went on missions to view procedures at various mines in the US. Zellidja was a beneficiary of the Marshall Plan; the Economic Co-operation Administration (ECA) granted it loans repayable in kind. American interest in Zellidja was part of the US endeavour to acquire and stockpile strategic reserves of raw materials in the context of the Cold War. American involvement in a mining company in one of France’s premier imperial possessions, one whose independence the US was suspected of favouring, could not go unnoticed. On the other hand, France was intent on developing North Africa both as a way of consolidating its control and providing itself with strategic depth should war break out in Europe.

3 Zellidja’s production was spurred by mechanisation. Lead reserves proved to be three times previous estimates and zinc was discovered. Past 1951, Zellidja accounted for over half of lead and three fifths of zinc production in the French Union. What was until then a modest mining business, mainly national in scope, became the world’s second producer of lead ore. It ranked as a major force in Morocco and provided a famous instance of Franco-American co-operation.

4 Yet, alongside the successful assimilation of American techniques, there does not appear to have been much more in the way of Americanisation. The presence of the two US firms on the board of directors did not imply control. Applied to a mining concern, the definition of Americanisation may encompass the systematic application of technology to
production, the emphasis on growth and the presence of a managerial team distinct from ownership. Although these features are prominent in the US and have come to be associated with it, they are not essentially or exclusively American and their adoption does not per se imply Americanisation. The latter must involve a process of conscious borrowing. This paper will address the issue of Americanisation at Zellidja, such as it was, by placing it in the context of the history of the company. Only by taking into account the direction that the company was already taking can selective borrowing from American models be understood.

**beginnings**

At first, Bou Beker was no more than a pit 45 km south-east of Oujda in which lead ore (galena) had been mined sporadically and on a small scale since the Sixteenth Century. In 1925, Jean Walter (1883-1957), an architect by profession, acquired a permit around the pit, in part payment for work he had done. Prospecting by Zellidja, the company he founded, yielded positive results and extraction began.

Lead is processed in several steps. First, ore is ground and sent to a washery, a tank where flotation takes place. Lead particles are then concentrated and roasted or sintered to remove sulphur. The next step, smelting, recovers metal from ore concentrates; it is carried out generally in a blast furnace equipped with a water jacket and a crucible to collect molten lead. Impurities are then removed from the lead bullion (‘plomb d’œuvre’) by heating in a large dressing container. Finally large blocks of lead metal are sent to the refinery for further purification, especially for the recovery of silver; refining yields pure pig lead.

Zellidja’s mining method was room and pillar. Its washeries were rudimentary installations, limited to the first stage of production. Power for the first washery came from the engine of a truck. Concentrates were transported to Oujda, and then on to the port of Oran in Algeria for export. While production increased, the price of lead collapsed from a high of £42 per ton in the mid-1920’s to a low of £10, leading to closure of the mine in 1931. During the period of inactivity, infrastructure was improved. Railway freight rates to Casablanca being prohibitive, another outlet had to be found. State authorities laid a line to within 17 km of Bou Beker; it terminated at the nearby Algerian port of Nemours (present-day Ghazaouet) which was made ready for shipping output to France. Housing was built for personnel and sources of much-needed water found in Algeria.

When the price of lead rose to £23 per ton in 1936, the mine was reopened and a new washery installed. Concentration was by flotation (‘sink and float’). Lead ore from Zellidja and the neighbouring but smaller mine of Touissit, owned by the Compagnie Royale Asturienne des Mines, was trucked to the train station at Oued el Heimer, then transported by rail to the port of Nemours. From 15 tons in 1925, the volume of concentrates reached 1,313 tons in 1930, 3,177 tons in 1937, 7,143 tons in 1938 and 12,036 tons in 1939. The target for 1940 was 15,000 tons. In 1939, Zellidja was already the second lead mining concern in the French Empire; 38 per cent of the lead extracted in the Empire came from Bou Beker.

The outbreak of war did not slow growth in the short term although part of the workforce was mobilised. On 26 December 1939, shareholders doubled the company’s capital from
F10 to F20 million by incorporating reserves. In 1940, Zellidja ordered equipment to produce 25,000 tons. Estimates of known reserves of ore in the 40-hectare perimeter had increased from 20,000 to 100,000 tons between 1936 and 1940. More efficient organisation of work partly compensated for loss of manpower when the Bedaux System was adopted.

Despite encouraging early results, the effects of war were soon felt. After the armistice, orders of spare parts and raw materials could no longer be placed in the UK or the US. Purchases had to be made, with much difficulty, in occupied and Vichy France. As French smelters ground to a halt and imports fell, so did the price of Zellidja’s lead and the level of its production. Rare supplies and precious equipment had to be used sparingly; the washery stopped functioning for one year. For the second time in its history, the company lost its momentum due to events it did not control.

The reopening of France’s main smelter at Noyelles-Godault (Pas-de-Calais) brought about the resumption of shipments in September 1941. However, electric power remained a serious problem. During the war, makeshift equipment, acquired in France, was assembled at Bou Beker to build gas-driven generators. Production of concentrates in 1940 was about the same as in 1939. It fell to 6,763 tons in 1941 and remained at about that level until the end of the war.

Zellidja was keen to return to the 1940 programme, the more so that further exploration revealed new reserves estimated at 400,000 tons of metal. In 1942, Zellidja extended its prospecting to nearby Algeria and acquired zinc mines at El Abed-Aïn Arko. The Société des Mines d’Aïn-Arko, 100 per cent-owned by Zellidja, was created in November 1942. By 1945, Zellidja was capable of producing 24,000 tons of marketable concentrates with a 70-75 per cent lead content out of ore containing lead in the proportion of 5-8 per cent.

As it did for electricity, the company sought greater autonomy in the processing of ore. By building a smelter, it would also get better return for its freight costs by exporting lead rather than ore, escape fluctuations of the price of ore and have metal available in France for manufacturing finished goods such as pipes, sheet lead or insecticides. However, in June 1942, Zellidja associated with Penarroya, the leading lead producer in the world, to jointly build a smelter at Oued el Heimer, near the rail line to Nemours. It was located close to the Djerada mine whose anthracite would stoke the furnaces. Owned half-half by its two founders, headquartered in Bou Beker, the Société des Fonderies de Peñarroya-Zellidja (P-Z) was created in January 1944 with a capital of F10 million. Construction of the plant began in November 1944; the first furnace was lit on 11 November 1947.

American partners

Zellidja and American interests were drawn together by different but convergent needs and motivations. There was considerable anxiety at the end of the war concerning reserves of lead in the world. The landing in North Africa and subsequent events made US authorities more aware of Morocco’s and Bou Beker’s potential. An engineer visited the site on their behalf in the summer of 1944 when Zellidja sought to obtain supplies by way of Lend-Lease. Pressed by Secretary of State Stettinius, the North African Joint Economic Mission, an Allied body in Algiers, agreed in 1945 to Zellidja’s programme of expanding production. Equipment worth $210,000 (F25 m) went mainly to setting up a new washery.
At the beginning of the Cold War, the same concerns about lead reserves were felt in the US. For their part, companies in occupied countries or overseas dependencies, starved of equipment, supplies and raw materials during the war, were eager to import in order to restart operations, insure maintenance or reach full capacity. In the immediate aftermath of the war, the only available exporter was the US. Protectorate authorities in Morocco were favourable to imports intended to increase production; licenses to import were issued liberally. A major obstacle, however, was lack of dollars to pay for purchases. Payment in kind could not be envisaged immediately, as France’s reconstruction needs were great enough to provide grounds for official disapproval. Protectorate authorities had instructions from the French government to reserve Moroccan lead production for France’s requirements.

Zellidja’s object was mechanisation. It wished to embark upon the expansion it had to forego during the war and take advantage of the high demand created by reconstruction and fear of limited reserves. Moreover, wage raises were legislated in France and Morocco after the war. While production costs exceeded revenues from sales, the price of French and Moroccan lead was higher than world quotations. To offset the trend, Zellidja had to lower unit costs and increase output. Cost-push necessity thus combined with market opportunity to point to further mechanisation.

In response to overtures from US mining firms, Jean Walter went to the US to establish contacts. He settled on the St Joseph Lead Company and the Newmont Mining Company. Primarily a gold digging concern, the latter was founded in 1916. It became interested in copper and invested in South Africa and South America during the 1940’s and 1950’s. Newmont’s entry in Morocco in the 1940’s was part of its diversification to metals other than gold. In the 1960’s, it emphasised investment in US mining companies. The 1990’s saw Newmont focus on gold and foreign subsidiaries. In 2001, it became the world’s leading gold producer.

In the agreement signed on 1 November 1946 between Zellidja, Newmont and St Joseph, a way was found to skirt the dollar problem. No dollars were to be expended by the French side. Equipment and training to mechanise the mine, expand the washery and improve drilling would be made available by the American companies in exchange for participation in equity. The 16 sq. km concession was divided in two parts. Zellidja retained Bou Beker and the area surrounding it within a radius of 6 km. Stockholders yielded 9.84 per cent of capital. Expected annual production at Zellidja was 45,000 tons of concentrates, or 35,000 tons of lead, about half France’s needs. Beyond that perimeter, Zellidja possessed permits to zones it had not or could not explore. It turned them over to a company created specifically for that purpose and headquartered in Oued el Heimer, the Société Nord-Africaine du Plomb (NAP), keeping 51 per cent of the F75 million equity. Newmont and St Joseph received 49 per cent and brought to NAP drilling equipment and experts. The U.S. companies were to bear 75 per cent of expenses incurred; spending by Zellidja would be done in France in French francs. Of the newly found ore, the first 25 million tons would be turned over to Zellidja; anything above belonged to NAP. Zellidja obtained a seat on the board of Newmont and St Joseph, and 4,000 of their shares, while Fred Searls Jr. and Andrew Fletcher, respectively chairmen of Newmont and St Joseph, were named to Zellidja’s board. French and American authorities gave their sanction. The delicate issue of lead exports to the US had not been broached. It was understood that the Americans would be entitled to purchase from newly discovered ore, but only in an indeterminate future.
Orders for equipment on Zellidja’s behalf were approved by the Protectorate authorities in December 1946. First shipments arrived in Casablanca on 1 January 1947. Two Newmont engineers visited the mine at Bou Beker from 12 December 1946 to 14 January 1947. Jack D. Harlan’s report found it well suited to mechanisation. Previous core drilling from the surface over the years indicated extensive deposits of exploitable lead ore. They were sufficient to justify improved mining and milling (flotation) methods; machinery and facilities had to be adequate for the task. The flotation plant handled 240 tons daily; the immediate target, 1,000 tons, was impossible to reach without a change in methods. Some 675 Moroccans and 80 Europeans composed the workforce, but labour shortages made even 240 tons difficult to produce. Harlan thought it important that new methods and equipment be employed only to the extent that they might be smoothly absorbed and prove beneficial. Zellidja intended to mechanise step by step, so that employees did not feel the changes.

Newmont gathered the information required for mechanisation of the Moroccan concessions, located material and equipment, and directed it to Bou Beker. Securing machinery quickly was not easy as post-war demand ran high. The search produced drillers, compressors, boring hammers, scrapers and trolleys for the mine, as well as material for the flotation mill and spare parts. American geologists, mechanical engineers and drillers were on the spot in January 1947 to train Zellidja personnel in the new techniques. A new sink-float milling plant with a capacity of 4,000 tons was to be added to the 1000-ton facility.

From 1948, American consultants were attached to Zellidja and NAP. Flying in technicians from the US made expertise quickly available in case of need. Greater emphasis was placed on scientific competence of management in both companies. Young engineers had top roles in operations; tasks and personnel were more closely supervised. Missions to the US and Morocco were frequent. Along with more efficient equipment intended to increase volume of production, improvements in the technical level of the staff were the main results of American participation.

Mechanisation and partnership with American companies did not transform basic techniques of producing lead, but they hastened the discovery of reserves, allowed for large-scale mining and improved output of concentrates. A major campaign of surface drilling began. Between 1949 and 1952, some 400 holes were drilled totalling 48,000 metres. In 1946, known reserves were set at 700,000 tons of unprocessed metal. In 1948, they were estimated at 1.8 million tons, from 30 million tons of ore. The figure in 1949 was 2 million tons.

Volume of ore treated at the float mill was stepped up gradually from 240 to 1,000 tons per day in 1948. It was scheduled to rise to 5,500 tons per day in 1953, by which time annual production of concentrates would reach 70,000 tons, nearly 90 per cent of the needs of the French Union.

**Zellidja and the Marshall Plan**

A year elapsed between George Marshall’s speech on 5 June 1947 and France’s entry into the European Recovery Program (ERP) in July 1948. While it lent dollars to recipient countries, ECA also set about getting quick access to their strategic raw materials for stockpiling. Evan Just, head of the ECA’s strategic materials division, went to Europe in
the summer of 1948 in search of minerals to purchase. On 1 September 1948, he met French government officials and mining company representatives in Paris to discuss manganese, cobalt and lead production. The unstated quid pro quo was awkward to refuse for Europe's assisted countries; it was made more palatable by the US's readiness to pay in dollars. France's official reticence to see much-needed resources leave French-controlled territory dissipated.

Morocco was one of the French possessions to attract ECA attention. Zellidja's post-war course of action was to mechanise in order to increase production. It became an associate of US firms with the object of obtaining the equipment and technical support that it could not pay for in the dollars it was prevented from earning due to official opposition to exports. By 1948, official policy had changed. To increase mining output and, to that end, acquire new equipment, the requisite dollars could come from exports to the dollar area. Morocco's share in the Marshall Plan, it was surmised, would be too small.

A self-financing plan had to be put into effect. Emphasis would be placed on lead and manganese, minerals with world-class reserves. It was estimated that, in four years, lead production could rise from 48,000 tons to 110,000 tons, and manganese from 200,000 to 360,000 tons. A $2.9 million investment would boost revenue from $18 million in 1948 to $37.6 million in 1952. The mines department of the Protectorate encouraged collaboration along the lines of the Zellidja-Newmont-St Joseph accord. In order to furnish export licenses, it sounded out firms in 1948 about their dollar requirements, the quantities of ore they had available for rapid shipment and prospective purchasers. It was insistent, in a hurry and eager to help.

A meeting with lead company representatives determined the cost of the required equipment to be $2 million, obtainable by selling 8,000 tons of concentrates. Economic ministries in Paris gave their approval.

Zellidja found the offer interesting as a way of acquiring dollars to buy equipment, while saving those received from its American partners. Its programme included completing the mechanisation of the 1000-ton per day mine, equipping its dotation plant with a facility to recover zinc from ore, and starting a 2000-ton per day dotation mill. In a meeting held in Oujda, lead companies agreed Zellidja would export 3,600 tons, the Société des Mines d'Aouli 2,050 tons, the Asturienne 2,000 tons and the Société Minière des Gundafa 350 tons. Proposals to import concentrates were not slow in coming from several US companies, even as the ECA delegation in Paris tried to have the lead sold to the Federal Bureau of Supply as strategic material.

Zellidja's interlocutors had mainly been private companies. As the Marshall Plan got under way, they were increasingly to be State authorities in Morocco, France and the US. Article IV of the bilateral Franco-American Economic Co-operation Accord of 28 June 1948 set aside 5 per cent-about $25 million-of Marshall Plan credits, calculated in counterpart francs, for the American Administration to use as it saw fit. One way was to promote production of strategic materials abroad by purchasing for immediate delivery or lending with reimbursement in kind by forward delivery. ECA sought to lend directly to private firms with the aim of procuring a portion of those materials to the Federal Bureau of Supply. A case in point was the agreement signed on 4 February 1949 with Zellidja's affiliate, NAP. The latter was to obtain from its shareholders an advance of F55 million ($200,000) to invest in exploration. The ECA would advance to NAP F135 million ($500,000) for the same purpose; the ECA loan, bearing interest at 4 per cent, was repayable in lead discovered by 31 December 1951. If deposits warranted further development, each side would advance $1 million to renew the arrangement.
The implications of the agreement disturbed the French government. The 28 June 1948 Accord committed it to facilitate the transfer to the US of strategic materials, but recognised its right to sanction specific accords. Authorities in Paris and Rabat were not informed of the ECA-NAP negotiations.\textsuperscript{14} The French government objected neither to the loan nor to delivery of raw materials to a foreign government agency, but to the interconnection between the two. It was troubled by the precedent the deal would set, one reminiscent of loss of sovereignty of borrowers such as the Ottoman Empire, China and Morocco in the past.\textsuperscript{15} With the intent of dissociating debt and the handing over of resources, it sought the cancellation of the February accord and its replacement by a loan to NAP from the Crédit National. This semi-public bank, specialising in long-term financing, would adhere largely to the terms of the ECA-NAP contract, using counterpart francs from Marshall funds under French control.\textsuperscript{16} Transfer of surplus lead to ECA would take the form of purchases. NAP was amenable, the ECA less so.\textsuperscript{37} Eventually, under ECA pressure, the French authorities backtracked and accepted the terms of the ECANAP contract.\textsuperscript{38}

The way was open for new agreements along the same lines. In December 1949, Zellidja borrowed $3.6 million (F2.2 billion) from the ECA, then another F1.4 billion in August 1950. Both loans were to be repaid over 7 years, the first in lead, and the second in zinc. The Resident General did not find onerous the export of 7.6 per cent of a total output multiplied five or sixfold thanks to the loans.\textsuperscript{39} In December 1950, Jean Walter returned from the US with a proposal to borrow F3 billion from the ECA at 4 per cent with the intention of lending them to Énergie Électrique du Maroc, the country’s supplier, in return for improvement of the utility’s service.\textsuperscript{40}

This time, the Quai d’Orsay saw an unfortunate precedent. Since the loan would not directly increase output of ore, repayment meant yielding available resources and accepting francs when dollars could be had by selling on the US market. Moreover, concern was expressed about the extent of the US’s role in Morocco. The image of the Ottoman Empire giving up its resources as collateral for loans returned.\textsuperscript{41} While missions by the ECA and its successors to North Africa were permitted under the provisions of the June 1948 Accord, their number and the extension of inspections to matters beyond the use of Marshall credits preoccupied the French authorities.\textsuperscript{42} Nevertheless, Juin was persistent and Foreign Affairs relented in March 1951. Of all companies, the Zellidja group was the main beneficiary of Marshall funds in Morocco—it received $4.2 million out of a total of $17 million, and F5.3 billion out of F8.4 billion—and among the greatest in France’s overseas possessions.\textsuperscript{43} About 10 per cent of its output was shipped to the US.

\textbf{sequel}

Thanks to modern equipment, exploration proceeded at a quick pace. Known reserves of lead nearly tripled. Extensive deposits of zinc were discovered, mainly in neighbouring Algeria. They were sufficient to justify the creation of an affiliate by NAP. Bringing the second part of the February 1949 agreement into play, NAP called on ECA for a financial contribution and founded the Société Algérienne de Zinc (ALZI) in 1951. Stockholders and their share in the F50 million equity were the same as in NAP. Zellidja had its own Algerian zinc subsidiary since 1942. Zinc-its own, ALZI’s and Ain-Arko’s-became an important part of the Zellidja group’s operations. As the quality of lead ore diminished, notwithstanding tonnage extracted, the production of zinc concentrates overtook that of
lead concentrates in 1953 (see Table 3). Zinc ore, sulphuric (blende) and oxide (calamine), was taken to the 1000-ton per day Zellidja float mill at Bou Beker to be concentrated into zinc sulphide and zinc oxide. In May 1956, a workshop using the Waelz method of obtaining oxides from lower-grade ore became operational. Two furnaces distilling zinc oxide calcine from calamine were added in 1958. Blende and calamine exported (table below) went mostly to the French plants of the Asturienne and the Société de la Vieille Montagne. The other mill, with a daily capacity of 4000 tons, handled lead ore from Bou Beker.

Table 1: Destination of Zinc sold by Zellidja (tons)

<table>
<thead>
<tr>
<th></th>
<th>1951</th>
<th>1954</th>
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<tbody>
<tr>
<td>France</td>
<td>22,738</td>
<td>47,086</td>
</tr>
<tr>
<td>Belgium</td>
<td>7,347</td>
<td>-</td>
</tr>
<tr>
<td>US</td>
<td>4,063</td>
<td></td>
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<tr>
<td>F.R.of Germany</td>
<td>3,762</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34,148</td>
<td>51,748</td>
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</table>

Belgium At Oued el Heimer, the new P-Z smelter processed more and more lead concentrates. Exports from Bou Beker diminished. In 1948, of the 13,597 tons produced, 5,982 were sent to the smelter, 7,615 were shipped abroad. By 1951, the figures were 38,457, 35,341 and 3,116. Subsequently, 85 to 95 per cent of concentrates leaving theotation plant were sold to P-Z. The smelter was equipped with new installations, including 10-foot Newnam furnaces for first fusion. In 1953, a workshop to recover silver from lead concentrates, a water-jacketed furnace designed to melt slag previously sent to foreign smelters and a Dwight-Lloyd binding machine were added. Better adapted to high-grade concentrates, Newnam material was severely tested by local ore when quality deteriorated as mining progressed. Apart from lead bullion, the smelter produced refined lead, 99 per cent of which was exported, all via Nemours (see Table 2 below). Next to that of Noyelles-Godault (annual capacity: 50,000 tons), Oued el Heimer (36,000 tons) was the most important lead refinery on territory controlled by France.

Table 2: Destination of Refined Lead Sold by Penarroya-Zellidja (tons)

<table>
<thead>
<tr>
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<tr>
<td>France</td>
<td>13,554</td>
<td>17,150</td>
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<td>US</td>
<td>2,000</td>
<td>6,759</td>
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<tr>
<td>North Africa</td>
<td>726</td>
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<tr>
<td>Rest of Africa</td>
<td>173</td>
<td></td>
</tr>
</tbody>
</table>
Algeria Zellidja was a highly profitable venture (see Table 4). Except in 1942 and 1950, capital increased by incorporation of reserves. Net profit on equity was fairly respectable on the eve of the war, falling only in the immediate post-war period. Profit as measured against sales was sometimes higher, indicating capacity to maintain earnings despite lower sales. Past 1952, Zellidja enjoyed a boom, as recently acquired equipment gave its full measure. Sales nearly tripled between 1950 and 1952, while net profit multiplied fivefold. Relative to capital, profitability soared in 1951 and remained exceptionally high until 1957. Sales revenues were at a peak until 1960, but net profit fell past 1956.

Zellidja’s heyday lasted as long as the source of its prosperity, the mines in Morocco and Algeria, yielded adequate quantities of quality ore. By the late 1950’s, this was no longer the case as metal content diminished in blends, then in galenas. Some pits and work sites had to be closed. In 1958, a Rotary drill was ordered from the US to accelerate exploration and an American technician brought to the company to train personnel in its use. Until 1961, the efficiency of the Waelz process in producing oxides offset the reduction in the supply of high-grade ore. Nevertheless, in 1963, dotation of calamine had to be curtailed. Several times in the early 1960’s production fell short of forecasts. Labour demanded higher wages and engaged in strike action, while rising costs were compounded by weak prices on the world market. As for the P-Z smelter, it posted operating losses in 1958 and 1959. For the first time since the 1930’s, Zellidja itself declared losses in 1962 and 1963. The following year, lead and zinc prices improved, allowing resumption of oxide production and giving Zellidja a new lease on life. In 1966, P-Z was again profitable.

P-Z made efforts to compensate for lower-quality concentrates by improving preparation of the lead to be smelted. In 1967, it acquired a DEMAG-brand overhead crane and bucket, an Eirich mixer and a conveyor. As expected, the depleted Bou Beker mine was closed in 1970, depriving the smelter of raw materials. Alternate sources, such as the Aouli mines, were too far removed; the composition of their lead required investments to upgrade equipment. In September 1971, the P-Z plant was shut down. ALZI and Ain-Arko had been nationalised by Algeria in 1966. Only NAP remained in the Zellidja fold, but its permits had been ceded to ALZI in 1956. The Zellidja story seemed to have come to an end.

A year later, the Asturienne discovered new ore near the abandoned Touissit mine, close to Oued el Heimer. Talks about reopening led to an agreement on 18 September 1973; capital of the new Société des Fonderies de Plomb de Zellidja (P-Z) was split between Zellidja (40 per cent), the Bureau de Recherches et de Participations Minières (BRPM), a State body (26 per cent), the Compagnie Minière de Touissit (20 per cent) and Penarroya-Maroc. Zellidja was responsible for modernising the smelter which reopened on 23 July 1975. The quantity of copper in Touissit lead induced the installation of a new furnace in 1977 and another, the largest of its kind in the world, in 1981. Increasing supply from the mine induced P-Z to enlarge processing capacity to 85,000, then 120,000, tons of

<p>| | | |</p>
<table>
<thead>
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<th></th>
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<tbody>
<tr>
<td>Algeria</td>
<td>1.681</td>
<td></td>
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<tr>
<td>Morocco</td>
<td>278</td>
<td>62</td>
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<tr>
<td>Total</td>
<td>16.731</td>
<td>25.652</td>
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</tbody>
</table>

34

35

36

37
concentrates per year. Touissit remains the source of most of the ore reaching the Oued el Heimer smelter today.

**Conclusion**

38 The last Zellidja company was characteristic of the group’s tradition of adaptation and emphasis on investment in technical improvement. In 1950, while examining forecasts, Jean Walter expressed concern about expenses and cash flow. The firm had to make payments on its loan from the Banque d’Etat du Maroc. As he stressed the need to husband resources in order to balance commitments and liquidity, he made a revealing statement. Circumstances, he argued, were such that the company had to change course. It could no longer consider economy as an obstacle to the fulfilment of its programme on schedule. Mistakes could be costly. Walter added that he did not want to end up in the same position as André Citroën 55 an interesting parallel to the automobile-maker who gave priority to investment in productivity and modern technology, but who also put his company in financial jeopardy.

39 Even before Zellidja sought and obtained American financial and technical assistance, it was wedded to the quest for optimum scale, to be achieved by investing in fixed assets with the object of maximising output. It was also well disposed to productivity. Input from the US was consonant with prevalent outlook and established practice. In the 1940’s, Zellidja had good reason to be growth-oriented. Within its reach were ample supplies of raw materials; large and eager markets awaited abroad. It lacked the tools it needed, not the inducement to find them nor the frame of mind required to operate them. While providing the missing tangible elements, Newmont and St Joseph fitted into an hospitable environment. Therein lies the explanation for the fact that the US partners played a relatively minor role in the management of Zellidja. The company did not have to be transformed in order to integrate modern technology; it was already predisposed. Americanisation, either in the shape of direct takeover or of subordination to outside influence, was superfluous. Indeed, being partly American in orientation from its earliest days made Zellidja immune to the loss of its autonomy. It took from the US only those features it wanted and was prepared to assimilate. It benefited from an American contribution without being Americanised. Vigilance on the part of French authorities, while real, was not materially a factor counteracting Americanisation.

40 Zellidja was an indefinable mix of a family business run along managerial lines, to which was grafted an American connection. The passing away of Jean Walter in 1957 did not mark a turning point in the general orientation of Zellidja. His son Jacques thereupon left the general manager’s position he had held since 1931. Two years later, he sold his shares in Zellidja to the Office Chérifien des Phosphates (OCP), a government agency, and resigned as director.

41 In 1959, the OCP, the BRPM and the Bureau d’Études et de Participations Industrielles joined the board. Walter family influence waned but did not entirely disappear; Jean Lacaze, the new general manager, was Jean Walter’s brother-in-law and a director since the 1930’s. Like his predecessor, he was a genuine executive at the head of a team of technicians. Managerialism had combined with the presence of the founder and entrepreneur; it now worked in tandem with Moroccan state services. American presence on the board remained as inconspicuous as it had been. Newmont and St Joseph still sat as directors, although Fletcher retired in 1960 and Seals in 1963. The following year, the
two companies sold their share in NAP to Zellidja but they remained with the latter until it ceased to exist.

In a note praising concerted state-private sector action to develop and retain the French Empire, Jean Walter criticised some of the large French companies that rested on their laurels after some early successes. Growth and modernisation had to be a permanent objective. This was advice he and the business he founded took to heart. Past the Walter-Newmont-St Joseph era, P-Z, Zellidja’s successor, pursued the same policy of growth and adjustment of its tool of production to the raw materials and opportunities at hand. Its ways were American after the departure of the Americans, as Zellidja’s had been before their arrival.

BIBLIOGRAPHY


APPENDIXES
Table 3: Output
Tons

<table>
<thead>
<tr>
<th>Year</th>
<th>Lead Ore</th>
<th>Concentrates</th>
<th>Concentrates</th>
<th>Lead</th>
<th>Refined Silver</th>
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<td>1947</td>
<td>9,000</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1948</td>
<td>13,000</td>
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<td></td>
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<td>1949</td>
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<td>21,603</td>
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</table>

DATA IN SOURCES IS INCOMPLETE.
Aïn-Arko production is included in zinc results.
SOURCES: ZAC, General Manager’s annual report to the board of directors, 1953-1961
AE (PARIS), DE-CE 855, NOTE TO ECA MISSION, OCTOBER 1950.
Table 4: Profitability

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital (Frans)</th>
<th>Sales (Frans)</th>
<th>Net Profit (Frans)</th>
<th>c/s</th>
<th>c/h</th>
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<td>24,000,241</td>
<td>6,624,394</td>
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<td>3,270,244</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td>1948</td>
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THERE ARE GAPS IN THE ARCHIVES. FROM 1961 TO 1967, FIGURES ARE IN DHRAMHS.

SOURCES: INTERNAL PROFIT AND LOSS ACCOUNTS, BALANCE SHEETS, ZABB.

NOTES

1. This paper is based mainly on the previously unused Zellidja company archives kept in Casablanca and at Bou Beker. I wish to express my gratitude to Chairman Mostafa El Sahel, Vice-Chairman Cherki Belaidi and company staff for their enlightened attitude toward scholarly research. Thanks also to Daniel Catan for his assistance.


4. GM, 6 April 1940.

5. Ibid., and 26 December 1939.

6. SMZ 1949.


8. Report to GM, 8 June 1942 (typed first draft), Zellidja Archives, Casablanca [hereafter ZAC]. No reference to specific files can be given as the archives are uncatalogued.
9. Jean Walter to Gabriel Puaux, Resident General of the Protectorate, 19 January 1945, and note of 9 November 1948, Zellidja Archives, Bou Beker [hereafter ZABB],
12. 31.85 per cent to Newmont, 17.15 per cent to St Joseph. Agreement between ECA, DPMA and MSA, 30 November 1951, ZABB.
13. Including diamond drills capable of penetrating 600 metres underground.
15. Jean Walter to Labonne, Resident General, 13 January 1947, ZABB.
16. Harlan to Fred Searls Jr., Chairman of Newmont, 8 January 1947, ZABB.
17. Jean or Jacques Walter to Jacques Lucius, General Secretary of the Protectorate, 20 December 1946, ZABB.
18. Harlan to Emile Trystram, manager of Zellidja mines, 14 February 1947, ZABB.
19. Harlan to Trystram, 25 February 1947, ZABB.
21. Trystram to Harlan, 15 December 1948, ZABB.
22. C. Kremer Bain, St Joseph's shaft-sinking specialist, to Jacques Walter, 31 May 1951, ZABB.
25. Jean Walter to Resident General, 29 November 1948; same to Chief Engineer of Mines Department (Algeria), 3 December 1948; report by Bain, 1 May 1949, ZABB. In fact, daily average was 3,600 tons during the 1950's and annual production around 40,000 tons.
26. Summary of the meeting by Zellidja delegate, ZABB.
27. Note, 27 August 1948, ZABB.
28. Chambre Syndicale des Industries Minières du Maroc to Zellidja, 23 August 1948, ZABB.
29. Note on meeting of 31 August 1948, ZABB.
30. Guillaume Guindey, Ministry of Finance (France), to General Alphonse Juin, Resident General, 23 September 1948, ZABB.
31. Program, 30 August 1948, ZABB. The 2,000-ton mill was not built.
32. Note on meeting of 16 September 1948, ZABB.
33. Text and analysis of agreement, Maroc CDRG, No. 117, AE.
34. Foreign Affairs to Juin, 16 March 1949, AE.
36. Analysis of agreement, 27 June 1949, Maroc CDRG, No. 117, AE.
37. Jean Lacaze, Director of Zellidja, to Searls, 22 March 1949, ZABB; BOSSUAT: I, 573.
38. Foreign Affairs to French ambassador in the US, 25 January 1951, M-Maroc 1950-1955, No. 117c, AE.
40. Juin to Foreign Affairs, 6 December 1950, No. 132a, AE.
41. Foreign Affairs note, 2 January 1951, AE.
42. Foreign Affairs to Resident General, 25 April 1950, DE-CE 856, AE.
43. Table, 1953, M-Maroc 1950-1955, No. 130c, AE; BOSSUAT: I, 578-611.
44. GM, 24 April 1958.
45. Division des Mines (Morocco), État Récapitulatif, 1951, 1954, M-Maroc 1950-1955, No. 130c, AE. Zinc sent to Belgium and Germany was processed and redirected respectively to France and the US.

46. Note dated 28 March 1949, ZABB.

47. État Récapitulatif, 1951, M-Maroc 1950-1955, No. 130c, AE.

48. Ibid.; internal balance sheets, ZABB.


50. Minutes of the meetings of the board of directors, 28 May 1962 and 17 February 1965, ZAC.

51. Rapport sur le Plomb et le Zinc, 18 April 1953, M-Maroc 1950-1955, No. 112a, AE. The third was Pañarroya’s unit at Mégrine in Tunisia (capacity: 22,000 tons).

52. État Récapitulatif, 1951, 1954, No. 130c, AE.

53. Minutes of the meetings of the board of directors, ZAC.

54. Belaidi, “Transformation”, ZAC.

55. Note by Walter, 13 April 1950, ZABB.

56. 552AP 156, Archives Nationales (Paris).

ABSTRACTS


AUTHOR

SAMIR SAUL

Université de Montréal
The productivity issue in the UK steel industry, 1945-1970

Ruggero Ranieri

1 How far did European industrialists, technicians and trade union leaders, who, generously funded by the US government, flocked in their hundreds to visit US plants and learn about new development in technology, management, accounting and industrial relations, return convinced of the superiority of the American System? The key word during the 1950s was Europe’s gap in productivity. Productivity lends itself to different definitions and measurements. The Americans took the productivity gap to embody all that was wrong with European industrial practice. Whereas some Europeans resisted the notion, others concurred. The debate has been recently rejoined.¹

2 This chapter reviews some evidence about the results of the productivity missions in the British Steel industry. The British Steel industry, at the time of the Marshall Plan, had the largest output in Western Europe. In 1949 it was nationalised by the Labour Government, after bitter resistance by the British Iron and Steel Federation (BISF), the industry trade association, backed by the Conservative Party. Its record was, in the best of terms, a mixed one. Performance during the inter-war years was generally considered to have been poor. Competition from Continental producers had made vast inroads into the UK market, forcing the Government to grant the industry tariff protection in 1932. At the same time the industry had been reorganised as a self-governing cartel, under a measure of public supervision. Industry-wide prices were set by the newly created BISF, together with a range of cross-subsidies and levies designed to minimise costs, encourage direct and indirect Steel exports and stifle competition.²

3 Calls had been made repeatedly, starting from the Board of Trade Committee Report of 1916, for concentration and rationalisation of Steel production. In 1944 the industry itself had set up an Efficiency Committee, which had recommended amalgamations and new investment plans.³ The industry’s first post-war Development Plan, centrally co-ordinated by the BISF, was based on the criteria of achieving larger output from a smaller number of plants. However, under pressure from a seller’s market and from the need to raise the country’s exports, investment, with a few exceptions, had consisted of ‘patchup’ projects rather than innovative ‘green-field’ ones. The industry remained scattered and diverse.
The Productivity Team representing the British Steel industry visited the United States in May and June 1951. It was part of the Anglo-American Council on Productivity (AACP), organised by employers and trade unions in conjunction with the Economic Cooperation Administration (ECA). The UK government played no role in its activities, the employers’ associations having made this a condition of their engagement. None the less, as far as the BISF was concerned, the visit could not have come at a less auspicious time. In February 1951, the assets of all the steel companies had been vested by the Government in the newly formed Iron and Steel Corporation. There was talk of radical new schemes being imposed on the industry. A few months, later, the Conservatives, who were committed to bringing it back into private ownership, won a General Election. Privatisation lasted the best part of the 1950s, in conjunction with regulation by an Iron and Steel Board, appointed by the Government.

The visiting team was composed of sixteen members, including company executives, engineers, accountants and supervisors from some of the main companies such as Colvilles, The United Steel Co., Dorman Long and a few others. There were two trade union representatives, Executive Council members respectively of the Iron and Steel Trade Confederation and National Union of Blastfurnacemen. The Team spent about six weeks in the United States, visiting plants in the new steel-making centres of the South and West. It also spent some time visiting Bethlehem’s East Coast integrated plant at Sparrows Point. When the members returned, they considered and discussed their recommendations at length, producing some months later a very lengthy and detailed report. Because of the authority of the team, the report was bound to be influential. It generated a lot of attention and a protracted debate.

The First section of this chapter will look at the measurement of comparative UK/US productivity levels within the two industries. It will compare the estimates made by the AACP report with other estimates made at the time. The second part will analyse the broad thrust of the AACP report and its main recommendations. It will focus both on the key issue of the size of the plant, as well as on labour issues, marketing and management strategies. The third section will examine the reaction to the Report’s findings in the course of the following years, highlighting how far the Report’s main recommendations were implemented.

MEASURING THE PRODUCTIVITY GAP

The core of the AACP report consisted of a measurement of comparative levels of productivity within the two industries. The figures produced by the mission were based on a fairly simple measurement of labour productivity in comparable types of plant. They considered separately three stages carried out with the same kind of technology: smelting in blast furnaces, steel-making in open-hearth furnaces and rolling in rolling mills. They estimated that US labour productivity in terms of in man/year output was three times as high as in the UK for blast furnaces, 1.8 times for open-hearth and roughly 1.5 times for rolling mills. Narrowing the figure down to a man/hour estimate increased the advantage of the US, given the shorter working hours there (40 hours per week as compared to 48 in Britain). The figures produced by the AACP showed a wider gap than the estimates that had been published by the economist L. Rostas between 1943 and 1948. Rostas’s estimates were based on the physical output of the industry as a whole, standardised by using an elaborate weighting technique. The British Iron and Steel Federation was critical of
Rostas’s figures and constructed a different index, which showed a narrower productivity gap. It also highlighted how the productivity record of the industry since 1945 had been excellent. However, Duncan Burn, of Cambridge University, challenged the BISF’s figures and produced estimates much closer to those of Rostas and the AACP. On balance it would appear that the method employed by the AACP-comparing productivity at plant level-was solid. It was an estimate by technicians rather than economists. Particularly as far as blast furnaces and open-hearth basic Steel were concerned, the AACP knew that it was on very strong ground. When it came to rolling mills, the comparability of output was more open to question, and the AACP acknowledged this by placing its figures within a band and pointing to their provisional nature. In fact it would appear that the US had acquired a substantial lead in rolling mill technology by introducing continuous throughput mills, and that it was driving its mills much more fully and efficiently. Hot and cold wide strip mills, which best embodied this advantage, were not considered in the AACP report. One of the questions which was raised at the time, and has been pursued by the more recent literature, is whether capital was perhaps being used more efficiently in Britain than in the US, thus offsetting the advantage in labour productivity. The evidence examined by Burn relative to the early 1950s does not, however, seem to bear this out. Crafts and Broadberry have presented estimates for capital productivity for the whole of manufacturing for a slightly earlier period (1929-1930) and have concluded that capital in the US was used more efficiently. For the Steel industry, their figures are not very firm, but they point to a slight US advantage. Calculations of total factor productivity, introduced on the basis of Denison’s growth accounting calculations, are meant to discover the contribution to growth of the inputs of all factors of production. If the contribution of inputs of labour and capital to growth can be determined, the rest-or total factor productivity-is deemed to be accountable to a ‘residual’. Broadberry’s results suggest that the total factor productivity gap between the UK and US Steel industries was as large as the labour productivity one. By his own figures, the AACP report is vindicated.

THE FINDINGS AND RECOMMENDATIONS OF THE AACP REPORT

The AACP Report was a detailed document containing both analyses and recommendations. The main point to emerge from it was that the UK productivity gap with the US was, in large measure, due to the low average size of plant in the UK. It came to that conclusion by assessing minimum size requirements for efficiency at the different stages of the steel making process and by working out the size of possible realistic and efficient combinations within an ideal integrated Steel works. The average capacity of an ideal steelworks fell somewhere between 750,000 and 1 million tons of Steel output per year. By contrast, UK steelworks had an average capacity of less than 350,000 tons. Although the standard set by the report was higher than previous recommendations aimed at rationalising the industry, it fell well short of the benchmark for American best practice. During the Second World War, the Efficiency Committee’s conclusion had been that integrated steelworks should aim at a capacity range between 500,000 and 800,000 tons per year. It was argued, in fact, that the AACP report was a minimalist one. It made numerous allowances for the specific market environment of the UK industry.
Furthermore it was fully aware that its recommendations would be difficult to implement, difficult choices of concentrating investment in the most appropriate locations would have to be made and this would generate a number of regional and local problems.

12 Works’ size and concentration issues in the UK had of course to take account of a long, tortuous historical legacy. Most of the sixteen main British integrated plants had an inefficient layout: they could not expand because of lack of premises and the physical obstacles that surrounded them (such as main railway lines). There was a lesson to be learnt here; any new investment had to be planned far in advance. It was inconceivable that all the existing steelworks should expand. There needed to be selective investment at a few favoured sites and the development of new greenfield sites. Concentration should be achieved not just horizontally, closing down inefficient firms, but also vertically, so that integrated plant could carry out production further into the finishing stages. This would provide better technical links between the units, save on expensive cross haulage, generate better materials handling and make companies more profitable.16

13 On one key point, however, the Report said very little. It did not endorse the trend towards large Coastal integrated plant, to which raw materials could be shipped in huge carriers. In America the largest post-war development at Fairless, on the East Coast, was being built in that way. The Bethlehem plant at Sparrows Point, which the AACP mission visited extensively, was also a Coastal plant. Yet there was no recognition here of fact that large deep-water coastal steelworks were the industry’s future, not just in the US, but also in Japan, and in many countries in Continental Europe.17

14 The need for new investment at greenfield sites in the UK was also hampered, according to the Report, by high costs of capital construction, and long completion times. This was clearly beyond the control of the Steel industry and pointed to a general weakness in the performance of the UK capital goods’ sector. Despite lower wage costs than in the US, labour productivity in the plant making and constructional sectors was low. As the Report noted: “At the present time it takes two or three times as long to complete a given piece of plant as it does in America”. This raised costs and extra charges from unproductive capital, increasing the opportunity costs of new investment projects. The reasons for this gap were many but they were partly traceable, the Report observed, to the current System of priority allocation of raw materials and labour.

15 In addition to the more technical side, the Report delved into a number of areas where it acknowledged the superiority of US methods. American firms selected their workforce more carefully and were particularly careful to offer managers appropriate training. They had introduced job evaluation Systems in order to remove strident inequalities, rationalise the wage structure and ease the introduction of technological innovation. US steelworkers were paid much better and driven harder, and they seemed to appreciate the need for higher productivity. There was “no serious opposition to the introduction of new equipment or to the continuous operation of plant and machinery”.18

16 Hierarchical Systems in US companies were better structured and standard costing, although only at an early stage in Steel companies, promised to introduce greater transparency and accountability. Measurement of productivity, particularly in the rolling mill sector, was much more developed and firms made regular and consistent use of manning information in managerial control – for example, actual manning was recorded on a daily basis against the standard and variations, with the information immediately available to the departmental offices. Such practices, the Report admitted, were virtually
unknown in the UK. Another advantage of US companies lay in their comprehensive specialized training schemes for technical and supervisory operatives and in their regular practice of recruiting university graduates to fill staff positions. The majority were science graduates, but some were non-technical and were recruited for purchasing, sales, accounting and industrial relations.19

The AACP’s recommendations on matters of industrial relations were, on the other hand, very bland. Reforming the wage structure in the UK on the American example was deemed impossible, given the large, even bewildering, variety of separate UK craft and general unions, which operated independently of one another. This, the Report implied, gave rise to serious demarcation problems and created a strong bias towards inflexibility. Nevertheless, it observed, industrial relations in Britain were better than in the US. The impression is that the presence in the visiting team of trade union members was a contributory factor behind these generalities.20

The Report had even less to say on management, organisation and training. The UK had little to learn in matters of training for operatives and craftsmen, and given its shortage of labour could probably not afford the formal selection processes of US firms. In fact selection of personnel was mostly informal and ‘traditional’, that is along family and community lines. When it came to middle and top managers, the gap with the US practices was quite glaring, although there was little recognition of this in the Report. Most UK companies were family concerns and although there were a few professional top managers, Corning mostly from an accounting background, they were still an exception rather than the rule. Recruitment of graduates into the industry seems to have been at this stage very limited, confined to the industry’s research laboratories. The Report made no recommendations worth mentioning on these points.21

Marketing was also an area in which US Steel companies were far ahead. Their attitude was positive and optimistic: “The American manufacturer… feels that it is possible to create a market for practically everything and is therefore prepared to take a chance by installing new plant”.22 They had recently been very successful in introducing new types of Steel products such as broad flanged beams, wide strip, and electrolytic tinplate and stainless Steel sheet. By implication the attitude of UK companies came out at best as conservative. Market research departments, quite common in US companies, were virtually unknown in Britain.

Research and technical progress were areas in which British Steel prided itself for having achieved excellence. The Report urged the industry not to be complacent. American firms might have had less prestigious metallurgical laboratories, but they were flanked by a clutch of dynamic and enterprising plant engineering firms, were supported by government and university research-institutes and were eager and capable of innovation. Standardisation of final shapes was also important. In the US special sizes and small orders were actively discouraged by a System of extra pricing; they were catered for not by Steel companies but by warehouses. UK companies did the opposite; they encouraged small batches and were clogged by congestion at the finishing end, having to make all the minor adjustments themselves. This practice also involved large administrative overhead costs. The Report advocated cautious reform. Although the British home market was relatively small compared to the US, and both reliance on diversified export markets and a record of high quality also discouraged standardisation, still it was recommended that the product price structure should be modified to discourage small orders. The advice was clear: “Price concessions should be used to encourage broader tolerances and less
It seems that the gist of the Report’s recommendations was sensible and correct. The problem of achieving amalgamation, closing down obsolete capacity and building new efficiently sized units and plants had been for some time at the heart of the discussion over the industry’s performance. The American model had also been often considered by British steel-makers, at least since the 1920s when the comparative standing of US industry had so manifestly risen. What was new in the AACP document was the detailed examination of some of the things that could realistically be done to catch up.

RESPONSES TO THE REPORT: AN OPPORTUNITY LOST?

The main response to the AACP report came in the form of a paper by the British Productivity Council (BPC), published in 1956. This effectively emanated from the BISF. The BPC was the successor organisation of the AACP, set up when the ERP programme ended, to monitor the results of the productivity missions and preach of the ‘gospel’ of Americanisation, helping firms to implement best practice. The evidence is that it lacked the teeth of its predecessor and that both sides of industry, as well as successive Conservative Governments, were quite happy to pay formal tribute to it whilst taking little heed of its recommendations. It published a large number of pamphlets and journals, set up local branches and encouraged pilot firms to carry out applications of this or that section of the productivity programme. The feeling, however, is that its impact on British manufacturing practice remained marginal.

The evidence of the 1956 Report issued by the BPC on the Steel industry seems to confirm this. What happened was that the Council was happy to let the BISF adjudicate on its own performance in meeting the challenge of raising productivity. Not surprisingly the industry’s own regulating body awarded itself high marks. Its report was a skilful mixture of compliance and evasion. It picked up a few of the AACP’s recommendations and purported to show how much had been achieved in meeting them, but it presented few firm facts and figures to prove this. Essentially it seemed to argue that because British prices of Steel goods were competitive (and US prices were not) the industry could afford to look at its performance and organisation with some detachment, even with complacency. Other voices within the industry suggested likewise, in some cases aggressively defending established practices against any innovation.

INFLUENTIAL CONSERVATIVES VOICE FROM WITHIN THE INDUSTRY

A number of influential executives within the industry dissented from the AACP line. Sir Andrew McCance, Deputy Chairman of Colvilles, a large firm accounting for most of the Steel capacity in Scotland, delivered a lecture at the Cleveland Technical Institute in November 1950 (just before the AACP Team made its trip) in which he staunchly defended the status quo. The size of American and British Steel making facilities, he argued, simply reflected the respective size of the two industries. Using a number of econometric projections, he argued that “what is real is rational”: the size of the industry and average
plant capacity were perfectly proportionate in the UK and the US. All that was needed to increase productivity was to increase total output: it was an "exponential law".

E. T. Sara, who, as an economist at United Steel Companies, was a member of the AACP mission, expressed a more considered view. He argued that the Report should be reconsidered in the light of the size and character of the UK market and taking account of company profitability. His own company, among others, had spent the last few years investing heavily, but such investment was, he argued, by necessity "organic", in other words it emanated from short term commercial opportunities, rather than responding to long-term plans. Not surprisingly, therefore, it was piece-meal and patchy: "Sometimes it is a matter of altering the machinery or the layout: sometimes a new piece of equipment is called for, rarely is the call for a complete new works". New works on greenfield sites were expensive to build and difficult to manage. So, he concluded, the record was satisfactory: "The Steel industry need not apologise for appearing to patch and repair its existing works. This is the most economical method of procedure unless there is some major change in technique such as the... wide strip mill, which makes rebuilding a virtual necessity".

Sara, therefore, suggested that the AACP recommendations should apply merely to plants built around wide strip mills. Such plants required an output of up to 2 million tons per annum. But for the rest of the industry, other solutions were in order. There was no point in maximising the size of furnaces, for example when special qualities were demanded in small batches. Sub-optimal plant was often worth keeping: indeed it was still possible to install undersized primary mills if they could be used as finishing mills as well. Smaller works could survive by reconverting to higher-value finished goods, for example alloy Steel, to offset diseconomies of scale. If all this was not enough, then the industry should look ahead, in the hope that beckoning new technologies such as continuous casting could shift the balance again in favour of the smaller scale.

**MANAGEMENT, AND LABOUR ISSUES**

What of the other recommendations of the AACP Report, touching on the areas of organisation, management, industrial relations? On management training, there seems to have been a positive response. Despite the claim by the BPC Report that in the industry "training for management takes place mainly within the works and 'learning by doing' remains the normal procedure", the BISF did set up the Ashorne Hill Management College to provide formal training for Steel managers. This was an innovative step, one of the first projects of its kind, although it is difficult to gauge its actual impact.

Accident prevention was another area where robust action was taken. American practice was revealed to be superior. The BISF launched its own investigation and published a number of reports. In 1956 league tables were set up benchmarking and rating different companies and plants for security. This was an example of the kind of transparency the AACP had demanded. There is little evidence, however, that it was extended to company costs, productivity and capacity figures or indeed to job classification. The material emanating from the industry remained opaque on all these areas. There was no evidence that sharper emphasis had been given to standardising products or to vertical integration, while better marketing received only a fleeting reference in the BPC's document.
The evidence is, on the other hand, that it was precisely in these areas that new developments were catching up with an outmoded industry culture. A detailed survey of Shotton works, conducted by a team from the University of Liverpool in 1957, shows why. The Shotton plant belonged to John Summers and employed in the region of 6,000 operatives. The plant had been equipped in 1940 with a wide strip mill and a cold strip mill. After the war the blast furnace and Steel making areas had been expanded and re-equipped. These technical changes had greatly increased the importance of salaried staff, including managers, specialists and skilled men engaged in service and maintenance. The family-owned company had had to change its organisation, its training and its culture in order to cope with continuous throughput technology. The production units had become more interdependent, calling for flows of material from one unit to another. A scheduling and production department and a progress and statistics department had been created, together with a development and constructional engineering department to examine new engineering problems in the construction of the plant. New functions such as statistics and negotiations and work relations were linked with changes in the structure of occupations that had come with the new mills.

The company needed more managers with technical qualifications and had to recruit them, largely, outside its ranks, a practice it had never followed in the past. In 1958 over half the departmental heads had degrees, as compared with a third in 1935. The proportion of professionally qualified managers had doubled among departmental heads and trebled among middle managers.

Shotton's case study provides illuminating insight into the organisational changes brought about by technological change and higher productivity. The problem was that neither the industry's top managers nor its trade union leaders seemed to have been fully equipped to deal with them. There is evidence, for example, of considerable resistance to modernising the wage structure and streamlining the work force in accordance to the needs of the new production processes, which "made nonsense of traditional manning practices and requirements". At Port Talbot attempts were finally made in the 1960s to introduce a System of job evaluation against considerable trade union antipathy. The situation at Port Talbot was characterised by over-manning, little use being made of modern measuring techniques, while demarcation issues between and within unions causing significant production losses.

THE INDUSTRY JUDGED: SIZE, STRUCTURE AND PERFORMANCE

The BPC report of 1956 provides only patchy evidence. Additional information can be gleaned from the official history of the industry written by Keeling and Wright of the BISF. Keeling, an influential member of the Federation, had among other things, acted as Secretary to the AACP mission in 1951. The Benson Report produced in 1966 is also an interesting document emanating from the industry. It was written by a committee of the BISF chaired by Sir Henry Benson with the aim of fending off nationalisation, and was designed to give a positive, if not uncritical, account of the industry's post-war record. These sources can be tested against some less apologetic literature, for example the work by Duncan Burn who, first as a disregarded insider and then as a dissident of the Steel establishment, and Industrial Editor of The Times, believed that the AACP had not gone far enough in calling for an overhaul of the industry along American lines.
The general framework in which the industry operated throughout the 1950s was one of high rates of investment. However, the thrust of the AACP Report had been to recommend that as a result of more investment, the average size of units and works should be stepped up, whereas inefficient works be closed. It was of paramount importance, it had argued, that expansion should be selective. A distinction should be made here between the size of units, and the size of works. As far as units, particularly blast furnaces, were concerned some progress was made. With the aim of increasing pig iron production to meet scrap shortages, older blast furnaces were scrapped and bigger ones were built. In 1955 the average size of blast furnace, though still much below the AACP recommended target, had increased by 30 per cent since 1950. Progress in rolling mill productivity was also notable by 1955-6 and much of it was accounted for by the new wide strip mill set up at Port Talbot, with cold strip mill units in neighbouring South Wales locations, gradually replacing a number of old hand mills. Productivity in wide strip mills was estimated as being seven times higher than for hand mills.  

If attention, however, is focused on the size of Works, progress was unclear. In 1957, nearly 50 per cent of Steel output was made in plants well below the Productivity Team standards and a further 8 per cent in plants at, or only slightly below, the minimum of the prescribed range. This left Steel made in compliance with AACP standards at about 43 per cent of the total. A large amount was still produced in works that were too small by the standards set by the AACP. In 1960 the picture is one of an industry divided between a handful of very large works and a proliferation of small ones. There were in fact only six works then that produced more than a million tons. A further five or six works reached the minimum AACP standard of 750,000 tonnes; the rest were well below it.  

By the early 1960s, steel technology had crossed another threshold, mainly thanks to the introduction of oxygen steel-making and also to progress in rolling mills, with a new generation of wide strip mills and other equipment being brought to fruition. This called for even greater concentration and economies of scale, although other developments in continuous casting and in electrical steelmaking acted in the opposite direction, opening opportunities for small-scale development of long products. On the whole the position of the British Steel industry became even more exposed: it was, for example, slow in taking up oxygen Steel making as well as continuous casting.  

Industry analyses at this time seemed to agree that the competitive position of UK steel was deteriorating. Writing in 1965, Pratten and Dean observed that “of the 310 works producing steel products only 8 had a capacity of more than 1 Mt/y and these produced only 40 per cent of the common Steel made in the UK”. There was evidence that UK companies were operating plant on a smaller scale than their overseas competitors, notably the United States, Western Germany, Russia and Japan. With the exception of the sheet and tinplate sector, where by the early 1960s a very small number of works dominated the trade, there had been no major concentration and re-direction of investment throughout the industry along the lines suggested by the AACP. The biggest companies had kept on juggling their output between their more modem and older works. The Second and Third Development Plans, just like the first one launched in 1945, had proved ineffective.  

What about the productivity record? Starting in 1954 there were finds signs of decline. The industry’s output ceased to increase in 1957 and was thereupon subject to pronounced fluctuations. At the same time there was a slow but constant increase in the workforce. In the low part of the cycle, productivity figures bottomed out. Thus, in terms
of output per man-year, there was little progress between 1954 and 1961/1962. Burn attempted to compare output per man-year in the UK, Continental Europe and the US, for the period 1954-7. In the UK and US productivity continued to rise at the same annual rate of 2.7 per cent. In Germany, France and Belgium, however, output per man was rising faster than in the UK, although, initially, from a slightly lower level. In the following years the gap widened: between 1955 and 1965 labour productivity in the UK grew by 25 per cent, in West Germany by 58 per cent, and in Italy and Japan by 150 per cent. In 1967, again using a rather crude benchmark, it appeared that in the UK the per-man yearly rate of Steel output was 90 tonnes, whereas the US had achieved 210 and Japan 190 tonnes.

British producers, however, were convinced that any international comparison, particularly with the US, while perhaps technically relevant, contained little of commercial significance. Despite the well known productivity gap, British and European prices were well below US prices. Other costs being more or less even, US productivity was not high enough to offset the fact that wages were three times higher in America than in Europe. Examining prices in 1956, the BPC remarked that for every single Steel product, the UK price was lower than the corresponding American, German, French and Belgian one. The position in 1965 was thought to be roughly the same. In the face, however, of sustained gains in productivity from the Continent, those figures should not have been so reassuring. UK prices were, in fact, kept artificially low by price-fixing, supported by a substantial measure of cross-subsidisation within the national cartel run by the BISF under the supervision of the Iron and Steel Board.

Price uniformity inevitably damaged the larger and more modern plants, by subsidising high cost producers. In 1964 the administered price System was challenged, for the first time, by the Restrictive Practices Court and as many as 35 price agreements were ruled unlawful. The AACP Steel Report had said nothing about this, but many other of the AACP team reports had made telling comments on the need for more competition across Britain’s manufacturing industries, blaming restrictive practices for low productivity and technological conservatism.

**IN CONCLUSION**

As much recent literature has argued, the AACP reports highlighted serious shortcomings in UK industrial practice. They were met, however, with little enthusiasm, even open and covert resistance. While a few of their recommendations were thus taken on board by the industry, the main points were not. The case of the Steel industry confirms this verdict. Failure to comply with the main thrust of the AACP report was due to a combination of factors but in no small measure it was the work of the BISF, acting as the industry-wide cartel.

The bargain between the government and the BISF had been struck in the 1930s, at a time of collapsing prices and high unemployment. It was based on regulation, protection of the home market, and it ensured that modernisation and restructuring would be carried out only with the consent of all the Steel companies. The industry had since delivered higher
output, and believed that this was enough to claim continued self-government in the national interest. Resistance to change also came from the trade unions. The proliferation of unions made it difficult to rationalise wages and to adapt working practices to technological innovations. This was not a key factor, but it contributed to the industry’s decline. In fact, there was a price to pay. By the early 1960s, the competitive position of the UK Steel industry had seriously deteriorated and a new productivity gap had opened up, this time with Western Europe.

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AUTHOR

RUGGERO RANIERI

Université of Manchester
Barreiros Diesel and the Chrysler Corporation, 1963-1969: a troubled Americanisation

José L. Garcia-Ruiz

INTRODUCTION

There is a vast literature about the role of multinationals in economic growth, but John Dunning’s ‘eclectic’ paradigm is widely influential. Here, a multinationals investment overseas is understood as a mature stage in its growth, which will normally bring advantages to all the parties involved. However, Dunning’s optimism may be somewhat misplaced, as the case study explored in the following pages demonstrates. In 1963, due to difficulties in raising funds from investors and banks at home, the Spanish engine and truck maker Eduardo Barreiros sought to find a multinational partner, which would support his company, Barreiros Diesel, S.A., but not interfere too much in the running of the business. After some fruitless negotiations with British firms, Barreiros reached an agreement with the Chrysler Corporation. Its Chairman, Lynn Townsend, was interested in investing abroad, as Ford and General Motors had done some decades before. The plan was that Chrysler would take over car production, while Barreiros would continue to produce diesel engines and commercial vehicles, its core business since 1954. But Townsend had a hidden agenda aimed at using his bargaining power to impose the acquisition of outdated vehicles, components and parts, the sale of patents, and the provision of financial support with unfair conditions. Only four years later, in 1967, the Barreiros family had to surrender control of their firm. A once highly profitable business was now mired in debt. Similar problems also affected Chrysler’s British and French subsidiaries during the 1970s and, in 1978, the American company finally abandoned Europe altogether. When the Barreiros family left their ex-company in 1969, Time magazine talked of “a conflict of cultures”, and Eduardo Barreiros criticised Chrysler’s managers for not trying to understand the “Spanish mentality”.

The following paragraphs examine this case of troubled ‘Americanisation’ with special reference to the
new literature on the transfer and spread of foreign production models across national borders.  

CHRYSLER: A MULTINATIONAL IN EUROPE AND LATIN AMERICA

Before 1960, Chrysler had only a slight presence in Europe: a Dodge factory at Kew (England) producing a few commercial vehicles, some commercial outlets in Anvers, and assembly facilities in Rotterdam that had been acquired from Kaiser-Frazer in 1958. This situation changed at the end of 1961, when Lynn Townsend was appointed Chairman, with the aim of revitalising a firm that was in the doldrums. After some early successes, Townsend turned to the possibility of investing abroad by means of joint ventures, a method that he felt was more efficient than the establishment of subsidiaries from scratch (the Ford strategy) or the acquisition of prestigious brands (the General Motors preference). Accordingly, Chrysler soon developed relationships with the British Rootes, the French SIMCA, and the Spanish Barreiros Diesel.

Meanwhile, Townsend also Consolidated a network of affiliates in Latin America, with plants in Argentina, Brazil and Mexico. The Mexican case was the most important with regard to units produced and the nature of the work, real manufacturing and as opposed to mere assembly. The affiliate was Auto-Mex, a firm founded in 1938 by Gastón Azcárraga. This had begun operating as a Chrysler vehicle assembler, but in 1959 the American company acquired a third of its stocks with the aim of turning it into a true car producer. In line with the Townsend credo, Chrysler refused to buy outright. In 1965, with sales of about 28,000 vehicles, Auto-Mex became the Mexican leader. Chrysler’s strategy seemed to provide the Azcárraga family with a satisfactory degree of autonomy in management activities, but there was a much darker side to the story. The key point was that Chrysler forced Auto-Mex to buy its technology and parts at high prices, rather than at a discount, as General Motors and Ford were doing with their affiliates. Auto-Mex’s costs thus grew dramatically as compared to its rivals and the firm suffered financial problems. In this situation, Chrysler was only too happy to appear as a saviour, providing either direct loans or making arrangements for the Mexicans to do business with its American banks. By 1970, Auto-Mex’s long-term debt to Chrysler had soared to 191 million pesos, and the following year, the Azcárraga family was obliged to sell out to the American giant.

By the early 1970s, Chrysler had to recognise that its investment abroad was not producing the forecast returns, and the position worsened with the general recession triggered by the oil crisis. In 1978, now with Lee A. Iacocca at its head, Chrysler sold its European bases to Peugeot and there was an overall withdrawal from the rest of the world. The firm’s predicament was so strained that Iacocca had to obtain a guarantee of $1.5 billion from the American government to keep the support of the banks. Reflecting on what had gone wrong, Iacocca was very critical of Townsend’s European adventures. Unsurprisingly, Chrysler remained outside the European market until 1987.
THE FIRST STEPS OF CHRYSLER AND BARREIROS DIESEL,
1963-1967

In May 1960, Barreiros Diesel asked for permission to diversify its output with the production of big passenger cars (often used as taxis) in order to capitalise on its diesel engine know-how. The 'national champion', Sociedad Espanola de Automóviles de Turismo (SEAT), a public firm supported by the official Instituto Nacional de Industria (INI), opposed these plans, observing that there were already similar models on the market (the Seat 1400), and underlining that it was best to have a small number of high-volume factories rather than scattered production. Eduardo Barreiros’s idea was to produce 2,000 units during the first year, 4,000 during the second, 7,500 during the third, and 10,000 thereafter. The capital required was estimated at 100 million pesetas. To make this feasible, Eduardo Barreiros approached British firms (David Brown, Jaguar, and Rootes) to get patents and technical assistance, but his attempts were unsuccessful. Notwithstanding, an official authorisation was granted in July 1961.

In September 1963, Barreiros Diesel finally decided upon new targets for engine and truck production, though no reference was made to passenger cars. Its plans were ambitious, requiring high capital investment. One option was to raise capital from the stock market, another to issue 500 million pesetas in bonds with a mortgage as collateral. In the end, floatation was postponed after the beginning of negotiations with Chrysler—then bonds to the value of 250 million pesetas were issued.

The tone of the negotiations with the Americans improved thanks to the Spanish Government’s decision in January 1963 to change the terms of entry into the motor industry. Free admission was to be allowed, though with some strings: any new entrant had to guarantee the annual manufacture of at least 75,000 passenger cars, 8,000 trucks and buses, 10,000 tractors, 25,000 motorcycles, and 15,000 engines. The authorisation that Barreiros had been awarded in 1961 was well beneath these figures but, thanks to the governments’ newly expansionist stance, its renewal was approved.

One factor that moved Barreiros to search for rapid solutions was the need for it to solve the problem of having to discount drafts coming from the sales on long-term credit. In July 1963, Eduardo Barreiros urgently asked the Vice-Secretary of the Ministry of Industry for a 200 million pesetas loan, to be cancelled when all the bonds were placed. Sixteen days after the Ministry had declined to help, the first agreement with Chrysler was signed.

In December 1963, Chrysler took 250 million pesetas in bonds. This was only a part of the final agreement, signed on 31 October 1963, “for the production and assembly in Spain of Chrysler products, its financing, and distribution in Spain of all kinds of Chrysler vehicles currently produced in the US, its components and parts, and the new models that will replace them”. Eduardo Barreiros told his board: “The agreement cannot be more favourable: small royalties, all the required technical assistance, and Chrysler’s world sales network within our reach”. The involvement of Chrysler took the form of a capital increase of up to one billion pesetas: the old shareholders disbursed their new stocks at par value, but Chrysler paid three times more to get 40 per cent of the capital. The new organisation reflected the change: management would continue to be carried out by the members of the Barreiros family acting as CEOs (with Eduardo Barreiros as Chairman), but there would be some limitation on their powers, and a new Chrysler Division headed by a managing director.
From the very first day, there was mutual distrust between the old and the new shareholders. At the Board meeting on 31 January 1964, Eduardo Barreiros had to defend his own programme for trucks against American firm’s suggestion that Dodge vehicles be produced as soon as possible. Barreiros also insisted on the need for building and exporting engines to get the foreign exchange required to import components for the Dodge Dart car, the first model he wanted to produce. Another problem that arose immediately had to do with retailers. Barreiros wished to continue working with his old network, but Chrysler promoted its own associates, such as Sociedad Espanola de Importación de Automóviles, S.A. (SEIDA), its main importer since the 1930s.

It is worth stressing that Barreiros Diesel was not unfamiliar with ‘rationalisation’ and Taylorism at this point in its history. Indeed, the company had already twice participated enthusiastically in the programmes for middle managers run by the Comisión Nacional de la Productividad Industrial (CNPI) from 1952. These oscillated between Taylorist and ‘human relations’ approaches. Before Chrysler’s arrival, Barreiros could in fact be considered a well-organised firm, using an original hybrid of Taylorism, ‘human relations’, and the typical ‘paternalism’ of a family business. The latter element had distinctive features in Barreiros since the main founder of the firm, Eduardo, was a very charismatic self-made man. The early introduction of quasi-Taylorist schemes made it easy to change the industrial relations approach after 1963-Chrysler’s ‘payment by results’ System was not very different from that already in use.

Despite their early disagreements, Chrysler and Barreiros were nevertheless able to reach an agreement to produce a car smaller than the Dart, thus diversifying output. The initiative was taken by Chrysler, and it was Irving J. Minett who carried out the negotiations to produce the new model – a version of the Simca 1000. The Chairman of the French firm visited the works at Villaverde and technical studies were made. The required investment was estimated at 500 million pesetas. Eduardo Barreiros believed that 300 million could be raised from three Spanish banks, while 200 million should be provided by Chrysler. However, the American firm refused to invest any further in Barreiros, and, in the end, the Chase Manhattan Bank financed the whole Simca programme. In December 1964, the Chairman of SIMCA, George Hereil, became a member of the Barreiros board. At the same time, the Government’s authorisation to produce the Simca 1000 was obtained.

At the end of 1964, there was a new agreement on the need to put all the industrial and commercial affiliates under the control of Barreiros Diesel. The understanding between the ‘Barreiros group’ and the ‘Chrysler group’ - as they were even referred to in the board minutes-seemed to be now improving. Minett was appointed Vice-Chairman, and Eduardo Barreiros talked about the “outstanding success” of the project to inject Chrysler’s methods into Barreiros Diesel that had been carried out by Thomas S. Habib. In December 1965, six subsidiaries (Barreiros AEC, R. Hanomag Barreiros, David Brown Engranajes, CABSA, GISA, and Tempo Ibérica) merged with Barreiros Diesel. This was consistent with the Chrysler’s strategy, a good example of the American style of vertical integration.

The beginning of 1966 was full hope. On 8 January 1966, General Franco visited the Barreiros factory. The press reported that the objective was to quickly reach annual production of 50,000 commercial vehicles, 165,000 Simcas, 35,000 Dodge trucks, and thousands of tractors in a new factory located in Zaragoza. However, tension between Barreiros and Chrysler re-emerged over two key issues, first the management of the...
affiliates, and second, financial problems. And there was another very important point that up until now had not been broached: the fact that though Chrysler was happy to keep manufacturing Dodge light trucks in Europe, it had absolutely no wish to engage in volume production of other commercial vehicles on the continent, a fact that was confirmed by its sale of SIMCA’s commercial vehicles division to FIAT.\textsuperscript{25}

As regards the affiliates, there was a substantial potential contradiction between Barreiros’s expansion in Latin America and Chrysler’s operations there. In Mexico and Colombia, two very promising countries for Barreiros, Chrysler had subsidiaries, Auto-Mex and Colombiana de Motores, S.A. (COLMOTORES) respectively.\textsuperscript{26} But the biggest source of ill-feeling between Eduardo Barreiros and Chrysler had to do with the financing of Barreiros Diesel. A Finance Committee was created in November 1966, made up of the Chairman and Habib, both also members of the company’s CEO Committee. The disagreement about financing was aggravated by poor sales. The figures spoke for themselves: the 1966 target to sell 21,000 Dodges and 62,000 Simcas was not met, with only 6,396 units of the former and 34,710 of the latter leaving the factory. During the first half of 1967 things were even less favourable: sales were only 1,645 Dodges and 17,222 Simcas.\textsuperscript{27}

THE END OF BARREIROS DIESEL (1967-1969)

A short time after the introduction of the Finance Committee, Eduardo Barreiros obtained some loans for Barreiros Diesel from the Banco de Crédito Industrial (a public bank), but without the prior approval of his colleagues. This was part of his struggle to keep the Spanish side in control of the firm. A meeting of the Board in January 1967 backed his activities, though the Americans registered their disappointment. The Barreiros brothers had given their personal guarantee and this was the reason why the board was relatively tolerant. However, the Chrysler contingent was determined to avoid any repetition of such an embarrassing episode.\textsuperscript{28} The Finance Committee was reshaped and its functions were expanded, so as to implement Chrysler Systems in all the departments of the company and its subsidiaries. The CEOs found themselves under stricter supervision, with an instruction that their decisions must be always recorded in writing.\textsuperscript{29}

These events were driven by the financial problems. In this regard, one important fact was that Spanish banks seemed unable to cope with Barreiros Diesel’s monetary requirements. After the deal with Chrysler, the firm had continued to do business with Banco de Vizcaya – its longtime main banking partner – accepting the latter’s strong requirements on collateral.\textsuperscript{30} However, the provision of funds coming from the Banco de Vizcaya was irregular and did not meet Barreiros’s needs. Most of the other Spanish banks were wary of getting involved. As a result, in October 1966, Chrysler intervened, and obtained a $10 million loan from S.G. Warburg of London, granted for one year (with the possibility of renewal) at a rate of 8 per cent. The loan was guaranteed by Chrysler, the Barreiros family and the minority shareholders, and was used to cancel a huge part of Barreiros’s short-term debts to Spanish private financial institutions.

The company’s financial problems grew during 1967 and the search for a stable source of funds became a priority. The board returned again and again to the issue. In January, Eduardo Barreiros expressed his worries to the Minister of Industry: he warned that it was impossible for him to raise the necessary funds to participate in the next capital
increase and predicted that the Barreiros family holding might fall to as little as 15 per cent. Despite anxieties over the maturity and the guarantees, a public loan was finally granted and the Barreiros family was able to keep its position as the major shareholder, with the 50.5 per cent of the capital, though Chrysler now controlled 45.3 per cent, after buying from other shareholders.

Faced with huge losses, because of the mistakes in the sales forecasts, Barreiros Diesel’s future was discussed at length on 24 July 1967 in Detroit. The company’s financial requirements were estimated at about $35 million: $20 million for 1967, the rest for 1968 and 1969. Its main problems were identified as, first, a substantial decrease in sales; second, the high cost of meeting customer guarantees due to technical problems with the vehicles (the sum here was equivalent to roughly 4 per cent of sales); third, the need to continue with investment in production, a new sales network, and the acquisition of subsidiaries; and, fourth, the accumulation of excessive stocks of raw materials and finished products. It was agreed that the only way for Barreiros Diesel to continue, and the interests of all the shareholders to be protected, was for Chrysler to take full control of its management. For this strategy would both assure the renewal of the Warburg loan, and open the way to more funds from the Chase Manhattan Bank—perhaps as much as $30 million, leaving only $5 million to be raised from a new capital issue.

Eduardo Barreiros deferred his answer, but by early August he had come to believe that there was no future for Barreiros Diesel unless the Chrysler’s proposal was implemented. He elaborated on his thinking in a letter to the Ministry of Industry. He began by noting: “the basic departments are now, at my own request, managed by Chrysler specialists, because this is the only way to introduce the Systems used by Chrysler throughout the World... Our company, being one of the biggest in Spain and with an international dimension, has been organised using Chrysler’s Systems”. Since 1964, 4,500 million pesetas had been invested in the works and 1,200 million given in credits to the commercial network. Moreover, there was a commitment to the suppliers that did indeed increase stocks, but it was impossible to default on this because “we could put them [the suppliers] in danger and on the verge of bankruptcy”. However, Barreiros’s sense of fairness verged on the naïve when he turned to Chrysler’s targets:

There is something special in the investment planned and developed by Chrysler in the last years, because Chrysler’s men never have said no and they must know, because of their experience in the world market, that the economic situation is not always favourable. Moreover, they have a great interest to use their international commercial channels to sell our products: diesel engines, buses, big trucks, etc.

It is likely that Barreiros’s warm feelings for Chrysler at this moment stemmed in part from the fact that, shortly before, the board had been informed that the Warburg loan would be renewed, and, moreover, at a rate of 6.75 per cent.

On 16 September 1967, Barreiros Diesel asked the government for authorisation to increase Chrysler’s share to 77.2 per cent. In a further letter to the Minister of Industry, the capital requirements were estimated as 2.1 billion pesetas, a sum that was to be raised from Chrysler (1.2 billion pesetas), the Banco de Crédito Industrial (750 million pesetas) and the Barreiros family (150 million pesetas). This last contribution would be a part of the 1.22 billion pesetas paid by Chrysler to the family in exchange for stocks with a nominal value of 1 billion pesetas. One billion more would be used to cancel a credit granted by the Banco de Crédito Industrial. Thus, only 70 million pesetas would remain in the hands of the founder members. To persuade the Government to support him,
Barreiros argued that “the non-Spaniard staff will be limited, according to requirements” and that the members of the Barreiros family would keep their posts on the board. The authorization arrived soon after, and on 11 and 13 October 1967, new agreements with Chrysler were signed.

In early November 1967, as arranged, the Barreiros brothers left their posts as CEOs, and were replaced by Jack E. Charipar. The public and the media were divided. All agreed that poor sales were the cause of the problems, but there was considerable discussion about two other factors: the government’s tough monetary policy to combat inflation, which was depressing consumption; and the shortcomings, expense and antiquated design of the company’s car models. Bringing things up to date, it was remarked, would require a fabulous sum of money by Spanish standards, though not by Chrysler's.

Between November 1967 and July 1969, the Barreiros brothers were placed in a more and more uncomfortable position within the firm they had created. In formal terms, they occupied important posts, but in fact managing activities were in the hands of those shareholders who held more than 77 per cent of the capital-Chrysler. In fact, the nominal Chairman, Eduardo Barreiros, did not even run board meetings, being replaced by Charipar, Executive Vice-Chairman and CEO. In March 1968, Charipar announced a new organisational chart, new agreements with SIMCA to introduce the 1100 model, and new principles for the management of affiliates. At the same board meeting, Charipar proceeded to dismantle the Barreiros's legacy. Decisions were taken to establish a department to sell proprieties due to the “evident existence of redundant and badly exploited goods”; dismantle the South-American subsidiaries, beginning with Colombiana de Automoción, S.A.; in future organise exports through the regional offices of Chrysler, scattered around the world; and buy shares in commercial affiliates in trouble so as to gain full control of them. Only if these conditions were fulfilled, it was announced, would the company be granted a $20 million credit from the Chrysler Overseas Capital Corporation: $15 million in March 1968 and $5 million before the end of the year. This would be used to cancel the Warburg credits.

Eduardo Barreiros tried to maintain the firm’s traditional mainstay, the production of commercial vehicles. The quality of these was high, and no less a figure than the King of Saudi Arabia ordered 200 6x6 units in March 1968. Barreiros also tried to penetrate new markets in Eastern Europe, for example participating in the Plovdiv (1967) and Poznan (1968) commercial fairs. But resources were scarce, and Chrysler sought to concentrate investment and export effort on cars: in july 1968, 1,000 Dodge trucks were shipped to Colombia while one year later 1,500 Simcas produced in Spain were sent to be assembled by Chrysler COLMOTORES.

Two events brought relations between Barreiros and Chrysler to an end: the break with El Motor Espanol, S.A., (MOSA), the older and bigger commercial affiliate, and plans for a new capital increase in 1969. In Charipar’s opinion, MOSA had “excessive structural costs” and needed to be immediately replaced by independent retailers. The increase in capital in 1969 was approved by the board on 21 March: $39 million that must be paid immediately. Eduardo Barreiros claimed that the amount was higher than that initially estimated ($32.5 million), while the terms of payment had been shortened. He argued that a capital increase should only reflect real capital requirements, and observed that a report on longterm finance, issued in January, had stated that these requirements would be dramatically reduced after 1971. In addition, Barreiros criticised the way Chrysler measured losses, because the provisions were higher than those legally necessary and the
estimated customer defaults seemed exaggerated. Much of the investment could be deferred or cancelled—for example, the press plant, sometimes included in the plans and sometimes not, showing “lack of consistency in the analyses and the conclusions”. Moreover, as Barreiros noted, there were other problems, too. Chrysler’s estimates did not consider the patrimonial realizations agreed; the repayment schedule of the loans was not precise; and the estimated turnover was too low. Finally, Barreiros claimed that his access as chairman to information had been reduced. However, the American firm and its Spanish lawyers and representatives on the board (Chaves Viciana and Garcia Forero) reacted angrily to Barreiros’s polemic, defending the integrity of the data and the conclusions of the different reports, and asserting that Chrysler did not intend to increase its participation in the capital. In the end, the Barreiros family alone voted against Charipar’s proposals. Consequently, Eduardo Barreiros told the board that he was considering resignation. Barreiros’s disillusionment was summed up in a document that he presented to the board. Amongst other things, he cited non-fulfilment of the approved programmes in relation to 15 and 38 tons trucks and the new tractor, with long delays at crucial moments for the firm, when commercial reports recommended the speed up of these programmes; lack of organisation and scheduling in the launching of new models (for example, the Dodge Dart GT); staff unrest, because foreigners were occupying all the higher-rank posts, imposing a two tier salary scale (with higher wages for the Americans); and continuous imposition of new organisational charts (three in 1968 and two in the first months of 1969).

At the next board meeting, Eduardo Barreiros appeared to be more relaxed about the proposed capital increase, noting the difficulty of obtaining new loans and the tendency for interest rates to rise. However, he asked for two years to make the payment. The board agreed, but imposed a surcharge for the delay. Twelve days later, Barreiros flew to New York to visit Minett, a member of the board of Barreiros Diesel and also Vice-Chairman of the Chrysler Corporation—this was his last chance. Barreiros gave Minett a memorandum that began: “it is disgusting to preside over a badly managed company, with huge losses, and not to be able to take any decision to avoid the disaster”. Barreiros blamed Jack E. Charipar for this situation; he had breached contracts and showed a lack of professionalism in managing the firm. The only way out for Barreiros Diesel was to dismiss Charipar immediately. He should be replaced by a “competent and honourable man, able to get an in-depth knowledge of Spain”, and capable of reaching an understanding with the Barreiros family.

Chrysler (USA) never answered, and at the board meeting of 24 May, Eduardo Barreiros criticised Charipar’s report and interrupted the session to read an abstract of the memorandum that he had delivered to Minett in New York. Then, the Barreiros family resigned, because they recognised that Chrysler head office’s silence implied support for Charipar. Both Chaves and Minett tried to make some comments, but Eduardo Barreiros told them it was not necessary to add anything and left the room accompanied by his brothers. On 7 July the agreement to sell the stocks was signed.

IN CONCLUSION

Chrysler strategy with Barreiros Diesel was very similar to that it used with its affiliates in the rest of the world—the creation of a joint venture to look for profits from the sales of technology and equipment (‘tied selling’) and the provision of finance, rather than
from its capacity as shareholder. But Chrysler’s problems in Spain were not necessarily exactly the same as it faced elsewhere. Several factors undermined its efficacy. The Spanish government’s policies were not always helpful. It did not intervene in Barreiros Diesel’s crises of 1967 and 1969, for example, ostensibly because there were no important associated job or foreign exchange losses, and this indifference contrasts with the British administration’s more proactive stance when faced by similar circumstances in its own car industry. In fact, Barreiros Diesel had always to struggle against the ‘national champions’ of INI (ENASA, SEAT). However, the major problem was a misreading of demand. The Dodge and Simca vehicles had a reduced market in a Spain because the upper and middle classes were less rich and ostentations than had been supposed. Chrysler seemed incapable of understanding the Spanish market and, even more, of adapting its products to local needs. These weaknesses, together with the cultural conflict in the management of the company, were the biggest examples of troubled ‘Americanisation’. But it also needs to be stressed that the difficulties with passenger car production caused knock-on problems for commercial vehicles, the most genuine part of Barreiros Diesel’s portfolio. The scarce resources available were always employed in the ‘Chrysler programmes’, while everything else suffered. Thus, Spain lost the opportunity to have a national commercial vehicle producer, even though there was an extraordinarily high demand for this type of transportation in the country. To sum up, it is hard to understand the evolution of the relationships between Chrysler Corporation and Barreiros Diesel without considering their relative power in the context of centre-periphery relationships. The orthodox economic theory of international direct investment frequently ignores this factor. It would appear that the business history of multinationals can provide a necessary and instructive corrective.

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ABSTRACTS

En 1963, Eduardo Barreiros, fabricant espagnol de moteurs et de camions rentra satisfait de discussions avec la Chrysler Corp. Il avait obtenu une aide financière tout en évitant de donner trop de pouvoir aux Américains pour intervenir dans ses affaires. Cependant, Chrysler avait un projet caché et quatre ans plus tard la famille Barreiros fut obligée de céder le contrôle de son entreprise. L’histoire de cette américanisation confuse est menée en s’appuyant sur les publications les plus récentes au sujet des transferts et de l’expansion des modèles de production étrangers à travers les frontières.

AUTHOR

JOSÉ L. GARCIA-RUIZ

Universidad Complutense de Madrid
Bargained Americanisation: workplace militancy and union exclusion c. 1945-1974

Bill Knox and Alan Mckinlay

1 The recent and ever-growing debate on the impact of Americanisation on British business practice and operational methods has opened up new areas of historical investigation. Institutional factors, such as the role of the State, have acquired new prominence in assessments of post-1945 British economic performance. Lower economic growth rates and poorer industrial performance relative to major European economies and Japan have been explained by a diverse range of historians as attributable to the failure to adopt American management and production techniques. British managers’ resistance to these more advanced techniques is seen as myopic and misguided. Johnathan Zeitlin, particular, has dismissed such summary judgements as deterministic, nationalist and mythologising of American industry as a paradigm of best practice. Far from being resistant to change, Zeitlin insists that British managers, operating in very difficult economic circumstances, were highly innovative adopting “transatlantic techniques” that were then “selectively grafted on to indigenous manufacturing practices”.

2 Zeitlin is correct to point to the deficiencies in the debates about the ‘Americanisation’ of British and European industry. However, Zeitlin’s approach also suffers from being overly institutional and accepting of a top-down view of the process of adaptive or incremental change. Critically, the debate has also been restricted to engineering—particularly car manufacturing—omitting discussion of other sectors of the economy that were open to American influence, for example, food and drink, textiles and clothing. Our account aims to open up two complementary fronts in the Americanisation debate. First, apart from the long-established UK subsidiaries of Ford and General Motors, the post-1945 arrival of other major US corporations has barely registered in the debate. The irony is that it is precisely the surge of post-war American inward investment that one would expect to register the ‘purest’ form of Americanised manufacture. Our second objective is to highlight the role of organised labour in the domestication of American firms. Across the differing positions in the debate, there is consensus that adaptation was triggered by
managerial decision-making within established industrial and market constraints. We accept the broad thrust of this consensus. The danger is that the debate pivots exclusively on managerial decision-making and neglects labour as an active, creative force in the re-making of the American model in British industry.

Our aim in this chapter is to offer a corrective to a debate that has been dominated by discussions of managerial techniques and decisions and by neutral accounts of production processes and technological Systems. Such a corrective forces us to consider other dimensions of the American model: the strategic use of corporate paternalism, the cultivation of internal labour markets, and aggressive anti-trade unionism. Local employer association and trade union records allows us to explore day-to-day workplace accommodation and resistance to corporate industrial relations strategies. The most volatile forms of hybridization were triggered not by managerial choices about technology and production Systems but by challenges from the labour force and their representatives.

The location of our study is Central Scotland. The choice is not one determined by convenience but by the sheer volume of American investment pouring into this part of Britain in the period 1945-1974. Between 1945 and 1970 Central Scotland was the recipient of the greatest inflow of American direct investment in the world, outside Canada. Major American firms such as IBM, Caterpillar, Hoover, Kodak, NCR and Timex all established production facilities before 1968. These firms were initially drawn to Britain by restrictions on dollar imports to Britain and the Commonwealth and then by the need to locate inside the Common Market. The reasons why US corporate investment was so concentrated in this part of Scotland were more diffuse: regional aid combined with a political willingness to short-circuit Whitehall decision-making; the serendipity of Scottish forebears among visiting executives; and a plentiful supply of skilled engineers and labour accustomed to the disciplines of mass production.

MANAGING PRODUCTION AND PERSONNEL

Labor is being attracted to these new industries not by offering higher wages than are paid in the jute industry or shorter hours of work, but because, in line with American practice, these new factories are so attractive in appearance, in their lighting, in their ventilation and in their heating, that workers prefer employment there than to working in the dingy unattractive environment of a jute mill.

The first major wave of American firms arrived in the late 1940s and early 1950s and included IBM, Greenock, and NCR, Dundee. Most were in the field of light mechanical engineering, but electrical engineering and electronics became more important from the mid-1960s. By 1975 the Scottish Council (Development and Industry) could justifiably claim that “Scotland is now the capital of the whole European electronics industry”. The early entrants came loaded with ideological baggage that was the product of a strong belief in individualism and managerial autonomy. The insistence on unlimited managerial prerogative was accompanied by an aggressive anti-trade unionism; an attitude that had been forged in the labour conflicts in the first few decades of the Twentieth Century. These conflicts stimulated the construction of innovative corporate labour policies. At NCR systematic monitoring of, and more sensitive approaches to, the workforce, had allowed the head of the labour department, Charles U. Carpenter, to boast that he had
successfully defeated trade unionism by the mid-1920s. Practically, this had meant transforming NCR’s traditional employment practices by, first, creating a centralised System of hiring and firing; second, codifying rules and grievances procedures; and, finally, consolidating all welfare work under a single administrative unit overseen by Carpenter himself. These were the practices that American firms sought to embed in the British subsidiaries established after 1945. American subsidiaries deployed unusually detailed employment contracts, specifying not just terms and conditions but also the long-term commitments of both parties and arbitration procedures, irrespective of whether or not this involved union representation.  

In 1904, Charles Carpenter of NCR wrote that it “[does] not seem possible to cultivate any better feeling on the part of the employee toward his employer unless some attempt is made to restore the old time ‘personal touch’”. Company paternalism was nothing new in Britain as textile employers in Lancashire and Paisley had used it in the Nineteenth Century to improve labour and capital relations, but the American System was subject to cost-benefit analysis. The pursuit of a strategy of corporate welfarism that covered an entire workforce was paralleled by the adoption of scientific management techniques. As Stanley Allyn, President of NCR, put it: “Altruism is not our strong suit”. Welfarism operated in a variety of ways, from paying higher wages, to providing fringe benefits, and to participating in charitable projects for the betterment of the communities the US firms were established in. Above all, the objective of corporate welfarism was to reduce the appeal of trade unionism and collective bargaining.

US multinationals consistently paid above average wages to their employees. Both the high wage strategies of incoming firms and their refusal to be bound by the tacit agreements of local employers drew sharp criticism from British managers. Dundee’s jute and engineering employers were appalled by the erosion of their grip on the local labour market and by NCR’s indifference to the ‘gentleman’s agreement’ that had maintained a leaving note System for over fifty years. That is, only the new American firms would hire new recruits without the written permission of their previous employer. US subsidiaries also offered superior non-wage benefits compared to most British firms. Few American firms were prepared to recognise ‘specific differentials’ based on craft status which would have increased both their exposure to external labour market movements and the relevance of trade union representation for their employees. US subsidiaries were ambivalent about linking earnings to seniority: they prized stability but were reluctant to endorse a promotions System that inhibited managerial prerogative. Normally, the workforce was graded by skill—completed apprenticeship remained a critical threshold—but was also subject to managerial assessment. In Caterpillar and Hoover, for example, each grade had three wage rates, initially awarded exclusively by management, with no procedural checks and balances. The objective was to construct internal labour markets regulated by managerial definitions of skill. In practice, few US firms were able to sustain this strategy: only IBM came close. Rather, in plants which remained reliant upon key engineering skills such as toolmaking, management were unable to construct a single job ladder. Powerful skilled groups negotiated preferential contracts unattainable to other employees. In Hoover, skilled workers were classified as ‘modified staff’ and paid a guaranteed salary. This created such a division between craft and non-craft workers that one senior manager declared that “they are divided by an iron curtain”. For Hoover management, the semi-skilled manual workers saw themselves as “second class citizens”. Fringe benefits also reflected these internal divisions. Despite the range of benefits
offered by US subsidiaries, at least one American manager was sceptical of whether high wages had any real impact on underlying employee attitudes: “Industrial relations was adversely affected by the lack of acquisitiveness of the average employee stemming from low level of living standards acceptable to people in a relatively poor area... US firms found it much more difficult than indigenous ones to accept the pervasive lack of enthusiasm for ‘Keeping up with the Jones’”. 16

Conscious of the need to win ‘hearts and minds’, corporate welfarism extended beyond the factory gates into the wider community. At any one time up to five employees of IBM were seconded to charitable, voluntary or educational organisations in Scotland. 17 Similarly, NCR “actively participates in movements for community betterment. Executives and other employees were encouraged to participate in community development activities”. 18 Again, we should be careful of exaggerating the impact of corporate welfarism. One otherwise positive Ministry of Labour official mused:

> I wonder if it is possible that American Companies may cause irritation to employees by their excessive ‘paternisation’. In this firm one is met at the employees’ entrance with a bank of flowers which spell out ‘Protect our good name’ and every office and section had posters on the same theme. From any point one could see anything from six to twelve of such exhortations. 19

Innovations in personnel management were introduced almost wholesale into American plants and their subsidiaries in Britain. 20 There were other innovations in the effort-wage bargain and in recruitment strategies. American payments systems were governed by ‘consultants and planners’ who measured only output and ignored craft status as the basis for establishing pay norms. Equally, the recruitment practices of American companies were distinctive in that they were strategic, systematic and centralised. Recruitment policies discriminated against the hiring of mature craftsmen in favour of younger workers; “people who will learn quickly how to play their part on a production line”. 21 A minority of first wave US firms-IBM, Kodak and Playtex-were overt in their refusal to hire active trade unionists. 22 The objective was to hire workers who would tie themselves to the American firm and would develop skills unique to that organisation.

In the first fifteen years after 1945 incoming US firms reported major gains in labour productivity. In 1958 NCR claimed a productivity gain of 20 per cent in a single year, while Hoover estimated that the workforce was three times as productive in 1958 as in 1947. 23 Such impressive productivity gains were only partly triggered by innovations in personnel management, however. Particularly during the first few years of their existence, American branch plants relied heavily on American supplies of partially assembled products. Products designed for the US domestic market were not modified for British, Commonwealth or European markets. Indeed, the US subsidiaries typically re-exported completed products, a practice doubly attractive because they counted as dollar exports and attracted fiscal credits. The American manager of Veeder-Root boasted that “the female operatives employed on precision assembly work... have actually bettered some of the standard times in the factory of our US associate”. 24 Similarly, in 1948 Hoover, Cambuslang was a highly mechanised plant producing a short range of standard motors with some limited final assembly:

The production is carried out by mass production... On another line the motor shafts flow through their different operations until a branch line is met carrying the motor parts; after the combination of both lines the work proceeds until the motor assembly has been completed. This in turn, unites with starter assembly and in a similar manner the progress of the motor is carried out until the complete
assembly, final testing, packing and despatch of the commodities through the stores.\textsuperscript{25}

In part, this was due to volume ramp-ups but also to extremely limited product ranges. By the late 1950s, however, rising volumes and growing product diversification increasingly compromised the integrity of these relatively simple mass production Systems. By the late 1950s Hoover Cambuslang was no longer a single-product factory but also a high volume manufacturer of motors for its sister plants. Improvisation and incremental innovation had hit their limits. To accommodate parallel mass production flows, the Cambuslang plant operated at 150 per cent of capacity, including some sub-assembly work being completed outdoors: “gangways are badly congested, making it difficult to utilise mechanical handling gear while areas normally used to store work in progress have been used to accommodate new plant. Machines now on order cannot be installed unless further inroads are made into remaining storage areas”.\textsuperscript{26} From the early 1960s productivity reports from US subsidiaries were chequered at best. Gone were the eulogies to skilful, diligent workers, to be increasingly replaced by a management rhetoric that castigated employee resistance and recalcitrance. Volumes of standard products dropped as branch plants increasingly catered for the idiosyncrasies of British, Commonwealth and European markets. Hybridization of the American model came at a price. Management's response was to install bonus Systems to raise productivity, a response that inevitably raised the profile of work organisation and collective bargaining.

The installation of mass production regimes drew US subsidiary management into conflict with the customs and practices of British skilled workers. From the mid-Nineteenth Century skilled workers in British industry shaped a System of industrial relations underpinned by notions of craft control of wages, workload and task allocation. Craft-based production Systems also devolved much of the work of the American specialist personnel departments to supervisors in touch with craft sensibilities over wages and status. In American-owned plants British engineers were confronted with workload norms and task distribution that were established exclusively by management indifferent to craft sensibilities. As the head of NCR's methods engineering section made clear: “The company had never agreed to bargain with its employees on the amount of work which was expected of any operator”. Productivity payments also conflicted with historically defined differentials and with the tradition of informal negotiation between work group and supervisor. All this was seen to encourage development of the “bell to bell sweatshop”.\textsuperscript{27}

The initial concentration of American firms in mechanical engineering forced them to recruit extensively among skilled engineers in a tight labour market. Compromise with the trade unions was necessary if only as a means to recruit scarce labour. Given the skill deficit, NCR in Dundee had little choice but to recognise the Amalgamated Engineering Union (AEU) in return for the union acting as its recruiting agent.\textsuperscript{28} Even the more determinedly anti-union stance of Joy Sullivan and IBM was dented by their need for skilled labour. Union cards were passports to employment in the local labour market and as such were held as much for their insurance value than as a token of obligation to the union or the craft community. For this reason, although conscious of management hostility, engineering workers drawn into these new plants often retained their union cards. Over 60 per cent of the workers in Joy Sullivan's machine shop were union members, a figure comparable with many local factories.\textsuperscript{29}
Formal co-operation with trade unions, born of necessity, was the hallmark of the industrial relations strategies of the earliest incomers from the US. Management strategy was to minimise the role of shop stewards in the daily negotiations about contracts and work organisation. From 1955, however, shop stewards were forced to confront the corporations if they wished to embed their presence in the new workplaces. The result was a deeply embedded adversarialism. Second wave American firms clustered in electrical engineering and electronics, so reducing their dependence on traditional engineering skills.

CONFRONTATION AND RESISTANCE

The American belief in extracting ‘value for money’ from the labour force has given rise to many disputes. There was a clear divide between American firms that developed comprehensive, robust internal labour markets – IBM and Kodak – and others that relied on external labour markets – Caterpillar and Hoover. The development of internal labour markets insulated the IBM and Kodak workforces from fluctuations in regional labour markets and increased the firm-specific nature of skill and earnings. During the start up phase, IBM was heavily reliant on skilled engineering labour to install the new capital equipment and to modify American product specifications. This dependency was short-lived, however. Using highly selective hiring policies, the firm employed its handpicked skilled workers to train non-skilled operators. As only the plant’s internal labour market validated and rewarded their skills these workers were tied to IBM. This broke IBM’s dependence on the local skilled labour market, which was regulated by craft unionism. Initially, the AEU had a shadowy presence inside IBM. In 1954 the AEU had 40 members employed in IBM Greenock, approximately 10 per cent of the workforce. However, the plant’s five AEU shop stewards were scattered, had no contact with each other and offered no platform for a recruitment campaign. Under threat of dismissal, IBM employees were prohibited from discussing individual contracts. Gradually, the always tenuous des between the IBM workforce and the union withered away. IBM had effectively halted attempts by the AEU to unionise the Greenock plant. In 1974, 90 per cent of the workforce rejected union recognition in an independent referendum organised by the Advisory, Conciliation and Arbitration Service. IBM did, however, make one telling concession to address workforce demands for representation. IBM Greenock’s ‘Labour Code’ supplemented corporate guidelines that allowed for individual voice mechanisms with a quasi-representative elected works council.

The development of internal labour markets was only one form of the Americanisation of employment relationships. Firms more heavily reliant on skilled workers, such as Caterpillar and Hoover, were compelled to recognise trade unions and the formalities of factory level collective bargaining while seeking to minimise the depth of the bargaining processes. In practice, this meant the exclusion of shop floor union representatives from bargaining about technological change, individual workloads, or organisational innovations. Through the 1960s shop steward campaigns in Burroughs, Caterpillar and NCR established the principle of mutuality as the cornerstone of work organisation. Production engineering derived from American standards was crosscut with workload norms established by custom and practice. Supervisory authority to transfer labour or reallocate tasks, similarly, was checked by shop floor notions of equity. This was a bargained form of Americanisation: contracts, shop floor discipline, and work
organisation were shaped by the dynamics of workplace trade unionism as much as by managerial choices. The contest was adversarial and the outcomes were never certain and enduring, but these struggles played a major part in the domestication of American management methods.

18 The first area was union recognition. A long struggle for recognition was pursued in the most notoriously anti-union American firms: Burroughs, Caterpillar, Cummings, IBM, Joy Sullivan, Ranco, STC, and Westclox. This was epitomised by an American Joy Sullivan manager’s eviction of two union activists on to the rain-soaked streets of Greenock: as he insisted, “they had no right to be on the premises” and he would be “employing whom he liked, Union or no Union”. This line held firm until the 1960s when a combination of full employment and rising living standards saw the balance of power shift from capital to labour.

19 In three high profile cases – Burroughs, Caterpillar and STC – American multinational firms were forced to accept trade unions in their factories after bitter, lengthy strikes. The Caterpillar experience was representative. The company ignored all local customs regarding work allocation to skilled and semi-skilled grades. For the AEU, management “appeared to have the sole aim of injecting the workpeople with a Caterpillar psychology”. The AEU established a covert shop steward organisation and used elections for stewards to raise the union’s profile in the factory, as well as to draw management into a public debate concerning the legitimacy of trade unionism. Although Caterpillar had tried to follow an exclusionist strategy similar to IBM, its reliance on mechanical engineering skills hindered the establishment of an internal labour market. Conflict was inevitable. A dispute erupted in November 1960 over the dismissal of two newly elected shop stewards for convening a mass meeting to endorse the union’s recognition campaign. One dismissal was justified on the basis of “insubordination” and for daring “to leave his machine against a foreman’s instruction”. The result was an immediate strike of the entire workforce including non-unionists. After some three months the exhausted strikers returned to work with an implicit, although unverifiable assurance that the two stewards would be reinstated and negotiations with union officials would begin. Although recognition was achieved, full bargaining rights remained elusive. A systematic campaign of harassment of stewards was conducted by management. This culminated in the management restricting union facilities to acting convenors alone. A strike ensued over this and other grievances relating to promotion, the transfer of labour, and job evaluation. Nor was Caterpillar exceptional. A succession of short strikes prompted Goodyear’s American manager to remark that Glasgow labour was “somewhat irritation prone”.

20 Management felt “that there is one very common word in the Scottish working class vocabulary about which they have previously heard little, ie ‘victimisation’”. For such US managements this was the limit of pragmatism: a reluctant acceptance of a trade union presence did not necessarily signify an endorsement of a pluralistic factory governance structure. Rather the opposite was true. Throughout the 1960s managements of US branch plants consistently worked to undermine shop steward organisation. In its most blatant form management simply targeted stewards for redundancy. In the winter of 1962-63 Remington-Rand, a fiercely anti-trade union employer, cut its workforce from 2,400 to 800. During the redundancy process over 50 of the factory’s 70 stewards were sacked. Of those stewards who remained, only one, the convenor – Calum Mackay – had any real experience. Mackay was a highly skilled toolmaker who had been employed by
Remington-Rand for fifteen years. For thirteen years Mackay was convenor of shop stewards and was critical to building the union and establishing the protocols of collective bargaining. Over a six month period Mackay was allocated the most complex and cumbersome repairs whilst working under intense supervision. This skewed allocation of work resulted in Mackay averaging well below the efficiency of his workmates: he was sacked for incompetence. Despite a series of wildcat strikes across the region, Remington-Rand succeeded in dealing a fatal blow to steward organisation.¹⁹

Not all US subsidiaries had elevated personnel management to the strategic role it occupied in NCR. Nor did union recognition necessarily signal a strengthening of the personnel function over line management. One Board of Trade report concluded of Caterpillar: “From a personnel management technique point of view [the company] appear to have everything”. But personnel, nevertheless, remained a Cinderella function with no executive authority and inexperienced managers with little or no specialist training. Despite the sophistication of Caterpillar personnel techniques, management bemoaned “the lack of ‘warmth’ in the Company”. Equally, despite conceding union recognition, Caterpillar management resisted even the mildest forms of joint consultation in the workplace: “their main fear [was]...that this destroyed the authority and responsibility of Management. They put tremendous stress on the responsibilities of Management, for instance, the [Industrial] R[elations] Manager can only recommend to Departmental Managers, he has no executive authority with them”.⁴₀

The management strategy of marginalising unions in Caterpillar proved increasingly unworkable as American firms’ grew more reliant on new incentive bonus schemes to improve productivity. Indeed, the complexity and comprehensiveness of the bonus System were principal factors in widening and deepening shop steward organisation in US-owned plants. Strikes over ‘anomalies’ mounted. In Burroughs, grassroots discontent over a complete lack of transparency and mutuality in ad hoc merit awards paid to supplement rime rates was the vehicle for comprehensive unionisation. The raison d’etre of union recruitment and factory bargaining was to check managerial unilateralism in wage determination.⁴¹ Pattern bargaining, as Burroughs management noted ruefully, developed an unstoppable momentum:

The history of the factory showed that when increases were conceded to, or were earned by a particular group of workers, this almost invariably led to claims from other sections of workers for increased wages. In due course increases were conceded. With this in mind, the Management made an effort to anticipate these claims, and dispose of them, but apparently in doing this they have displeased the toolroom workers.⁴²

Burroughs’ management estimated that complaints over bonus payments averaged between 400 and 500 per week, with peaks of almost 700. The introduction of new products had placed enormous pressure on the managerial technicians who planned workflows and determined time targets. The legitimacy of the factory’s entire administrative infrastructure was in jeopardy: “when a new job was issued, and the time was questioned, instead of hours elapsing, it sometimes took days to get a study on the job. When job time complaints were made the job was sometimes taken away but came back with the same time, which only led to a further job time complaint”.⁴³ Broadly speaking, in any given month, every member of Burroughs 2,200 manual workforce could be embroiled in at least one bonus dispute. In the five years to 1968 bonus inflation was approximately 4-5 per cent per annum with no productivity gain. Burroughs was by no means exceptional. Where managerial discretion over earnings or complex bonus
Systems were overlaid by abrupt changes in a plant’s principal product or by diversification, small-scale disputes proliferated. In Standard Telephones and Cables (STC), increased complexity in production runs compromised management planning and interrupted workflows. In 1966 small-scale bonus strikes—typically of just a few hours duration—averaged between two and three working weeks for every manual worker. The accretion of power can be gauged from the fact that in January 1968 the stewards were to negotiate with management over workplace bargaining institutions. A demand was tabled for the reinstatement and reconstitution of the works committee and this was agreed to in March of that year. Intense, small-scale negotiations over bonuses were paralleled by shop steward attempts to extend the scope and increase the formalisation of factory-wide collective bargaining. In particular, stewards bargained to establish a robust, disciplinary ‘tariff’ for misdemeanours - lapses in quality, insubordination, and absenteeism. Stewards sought to shift the frontier of control by fleshing out a procedure that precluded supervisory dictat and ensured that each case had a hearing, representation, and appeal. Managerial authority was now subject to procedural checks and balances. Mutuality had trimmed managerial prerogative and eroded the resonance of corporate welfarism. From the early 1960s onwards, improvements in earnings and conditions were no longer perceived as settled unilaterally by management, but as the outcome of shop steward pressure. Adversarial bargaining was an essential feature of the employment relationship and critical to the development of work organisation. Union successes in embedding union structures within hostile American firms was double-edged. Complex bonus schemes encouraged sectional bargaining and this undermined worker solidarity in the long run. The tension between tactical sectional bargaining and the development of a strategic agenda was the key dynamic of shop steward organisation. The AEU’s chief shop steward in Caterpillar attempted to consolidate a procedure agreement for the factory to channel disputes away from departments. But within a few years of securing full bargaining rights less than a quarter of the stewards endorsed this strategy, as the majority could only retain the support of their local constituents by becoming immersed in sectional disputes. In extreme cases, sectional disputes also generated inter-union conflict. The AEU in Burroughs and Sunbeam Electric complained that the Scottish Metal Workers Union was increasingly successful in poaching lapsed members, specifically highly skilled toolmakers disgruntled by the erosion of their wage differential and status. Skill differentials and variations in bargaining power echoed gender divisions in the workplace. In unionised factories the greatest union density and levels of shop steward activity were in the toolroom, the area in which the most skilled work was concentrated. Conversely, the lowest levels of unionisation and the poorest in terms of shop steward representation were in female-dominated assembly areas. In Hoover, for instance, some 60 per cent of the labour force were female but over 90 per cent of shop stewards were men. Male, skilled shop stewards were perceived as largely irrelevant to the concerns of female production workers. A representational deficit emerged, particularly in mass production factories with heavily gendered labour processes. As one female Hoover steward explained to a meeting of union activists debating how to enhance and widen their representational role in the workplace: “We’re seen as dues collectors. We have nothing to offer these women.” Finally, union success, however qualified, was fragile. Gains made in one year could be reversed in a matter of months as shifts in the demand for products and labour, or simply changes in shop floor personnel, altered the balance of power. Of the AEU activists in
Caterpillar who had led the successful campaign for union recognition in 1960-61, none worked for the tractor manufacturer ten years later. As the growth of the 1960s gave way to retrenchment in the 1970s, Scottish plants confronted hostile product markets with poor productivity records, rapidly deteriorating industrial relations, and, most important, ever more aged products. Competitive decline and recession profoundly affected workplace organisational structures so assiduously and carefully built up over the preceding years. In these new circumstances shop steward strategy turned towards acceptance of corporate employee involvement schemes and underwriting plant management’s survival bids inside corporate internal markets.

CONCLUSION

Of the first wave American inward investors, only IBM successfully sustained its anti-trade union strategy. Others, such as NCR, made tactical concessions to trade unions during their start-up period. In such cases, this granted trade unions a factory-level legitimacy that shop steward bargaining extended onto the shopfloor. Where management initially refused to countenance collective bargaining, adversarial bargaining and unionisation went hand in hand. All American subsidiaries refused to accept a pluralistic model of industrial relations. Indeed, before the early 1960’s, trade unions were extremely weak in American branch plants. Shop stewards, particularly in routinised and feminised assembly areas, were incidental to collective bargaining. By the late 1960s, however, this picture was reversed: no change could occur in work organisation or the wage-effort bargain without prior consultation, if not necessarily negotiation, with shop stewards. Historic notions of craft and community had an important bearing on the attitudes of workers and unions towards American personnel management practices and were crucial in the process of domestication of American firms. Only IBM and Kodak were able to construct sealed plants in which internal labour markets and wages Systems eroded or destroyed craft mentalities and traditions. Other US subsidiaries were forced to accept historically formed notions of bargaining and payment. These attitudes were also important in limiting the ability of American firms to adopt exclusionist policies towards unions. It was the downturn in the economy in the early 1970s that made possible the restructuring of the workforce through redundancy and the break up of union organisation in US-owned factories in Scotland. It was the long-run elimination-or pacification-of introverted factory unionism that was the essential precondition for the emergence and success of human resource management techniques in the last two decades of the Twentieth Century. Union exclusion made the workplace safe for Human Relations Management.

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IBM 1987. IBM in Scotland, IBM, Greenock.


NOTES

1. Alan McKinlay wishes to acknowledge the support of the Economic and Social Research Council, UK (Grant R000223271).
6. See Board of Trade, “Location of Firms: Reasons”, 1951, BT177/370, PRO.
7. US Consul, Edinburgh to Department of State, 17 October 1949, RG59/250/37/33/2, US National Archives, Washington, USA.
13. Engineering and National Employers’ Federation, Dundee District, to the Board of Trade, 22 February 1950, BT177/522, PRO.
22. For example, AEU, Greenock District Committee Minutes, 25 March, 25 July 1953, GCA.


25. Board of Trade, “Hoover: Investigation and Report”, May 1948, BT177/903, PRO.

26. Board of Trade, “Application by Hoover”, 31 August 1959, BT177/904, PRO.

27. AEU Greenock district Committee Minutes, 7 October 1953, GCA.

28. AEU, Dundee District Committee Minutes, 5 and 26 June 1946, Dundee City Archives, Dundee, [hereafter DCA].

29. AEU, Greenock District Committee Minutes, 14 September 1949, GCA.


33. AEU, Greenock District Committee Minutes, 17 November, 1948, GCA.


35. AEU, Mid-Lanark District Committee Minutes, 18 November 1960, GCA.

36. AEU, Mid-Lanark District Committee Minutes, 6 June 1961, GCA.

37. AEU, Mid-Lanark District Committee Minutes, 19 January 1965, GCA.


40. Board of Trade, “Immigrant Firms: Personnel Management”, SEP4/565, SRO.


43. Scottish Engineering Employers’ Association to Executive Committee, Circular Letter 68/144, 18 April 1968, TD1059/7/71, GCA.


45. AEU, Mid-Lanark District Committee Minutes, 5 January and 27 March 1968, GCA.

46. Caterpillar, Joint Shop Stewards’ Committee Minutes, 25 August 1965, GCA.

47. AEU, Mid-Lanark District Committee Minutes, 3 and 22 June 1966, GCA.


ABSTRACTS


AUTHORS

BILL KNOX
University of St Andrews

ALAN MCKINLAY
University of St Andrews
Americanisation, Cultural Transfers in the Economic Sphere: a Comment

Terry Gourvish

Americanisation, the theme of this stimulating, bi-focal international conference, has been difficult to discuss in the prevailing circumstances, so soon after the events of 11 September 2001. The actions of the terrorists have struck a deep wound into the concept of Americanisation, as have the more wide-ranging protests from the environmentalists and others, evident, for example in the recent rioting in Genoa. Furthermore, Americanisation' is a complex, even elusive, phenomenon, which presents challenges to historians seeking to analyse it in a comparative way. It is also a matter of personal as well as scholarly experience. I hope I may be permitted to illustrate this from my own life. When I was a child, austerity and food rationing were a necessary accompaniment to life in post-war Britain. I well remember the sense of liberation and joy which accompanied the arrival of the food parcels sent by my uncle Ralph from Long Island, New York. Moving on a decade or so, Americanisation came to mean something very different to me during the Cuban Missile Crisis. Protesting as a student against American 'imperialism' and 'war-mongering' was another facet of my personal love-hate relationship with the notion of America'. It is a tribute to the organisers of this conference that the hurdles of contemporary gloom and analytical hazard have been negotiated so successfully, as the papers at this conference indicate.

As we have seen, the study of American economic influence poses many challenges, and these apply as much to the 'B' Session papers, which were concerned mainly with microeconomic matters, as in the 'A' session papers, which handled macroeconomic questions. The broader significance of North American economic endeavour is not a recent invention for scholars, of course. Raised first perhaps in the anxieties produced by the amoral capitalism of the great robber barons of the late Nineteenth Century, it gathered pace after the United States became the dominant world power in the second half of the Twentieth Century. In the 1960s, the writings of Servan-Schreiber and Schumacher also provided a critical tone. The economic activities of the American monolith was damaging to Europe; 'small' was beautiful, and the large-scale multinational corporation was something to be feared, an approach which, two decades later, produced...
the alternative model of ‘flexible specialisation’. However, Americanisation also provides a conceptual challenge because the notion contains such an inherent circularity. After all, in a very real sense American theory and practice, diverse as it is, and difficult to capture as it undoubtedly is, arose from European origins and European models. Thus, in the industrial sectors I know best, railways and brewing, American firms derived much of their capital and technology from Europe. The United States railroads owed much to the experience of Britain, Germany and France; the leading American brewers were essentially successful transplants from Germany, Czechoslovakia and Scandinavia. And the United States is of course a federation of States where the influence of settlers from European countries produces a diversity of economic, social and political influences. The dangers we face in analysing the concept are, then, very real: of making too much of American influence or of reducing everything to the contentious notion that everything ‘American’ is essentially ‘European’.

Session ‘B’ revealed three principal ways of analysing the microeconomic aspects of Americanisation: (i) at the level of the technique, whether a production process or an organisation System; (ii) at the level of the industry or branch; and (iii) at the level of the firm. None is superior to the others, and each provides its own challenges. At the level of the technological or management System, there is abundant evidence of diversity in the diffusion of ideas, and of adaptation to the local environment. At the industrial level, there is the difficulty of generalising satisfactorily about conditions when archival collections are biased towards the larger firms, those which survived for a long time (the notorious ‘survivor technique’). At the level of the firm, size is a very critical element, and quite obviously, the specificity of the single case does not advance the issue of Americanisation very far. However, the case can provide a corrective to historical analyses which are based on explanations which are normative, often the expressions of implied best practice (or sometimes an exaggerated worst practice), formulated by the industry’s political lobbyists.

Given the above, it will be no surprise to discover that the ‘B’ session papers exhibit a diversity of approach. Nevertheless, some important and common themes have emerged:

i. the importance of engaging in the debate about consumption and the ‘culture’ of consumption, the subject of papers by Heinonen and Pantzar, Hilton, Obelkevich and Segreto, which were enlivened by vigorous debate from the conference floor;

ii. the influence of American ideas and practice in defined areas of the modern firm, in design, marketing, and accounting, as seen in the contributions by Berland et al., Byrkjeflot, and King;

iii. the American film as cultural import, and the impact of Hollywood on domestic film industries in Europe (Braun, Miskell, and Sedgwick);

iv. the American influence in management and organisation, seen in the papers by Amdam and Sogn, Bertrams, Coopey and Porter, Lanthier, Puig, and Sluyterman; and

v. the American influence in methods of production and managerial control (Booth, Daumas, Knox and McKinlay, Lescent-Giles, Ranieri, Garcia Ruiz, and Saul).

The lessons which emerge from these important contributions, most of them based on new, primary research, are to this commentator at least, as follows. First, that the search for a single, satisfactory definition of ‘Americanisation’ is likely to be a Holy Grail. Most contributors recognised that it was important to establish what ‘Americanisation’ represented in their analysis, while accepting that the concept was ‘always partial and conditional, and at all times refracted through national politics and the established
production agendas of indigenous manufacturing sectors'. It is therefore unsurprising that no unanimity of approach has emerged. There was no single, monolithic American ‘influence’, but a series of evolving ‘influences’, changing over time, and adapting in response to local circumstances. This is the case whether the subject of inquiry is Taylorism, Fordism or post-Fordism, the American film industry or the importance of American consultancy firms.

Second, the argument that the European origins of the United States invalidate the existence of an ‘American’ economic system should be rejected. The contribution of European settlers and the precepts of the First Industrial Revolution to American progress must be acknowledged, of course, but they should not be used to deny the existence of a very real contribution to economic organisation by American capitalism.

Third, the argument that adaptation and response by the ‘host’ country invalidates the notion of ‘Americanisation’ should also be firmly rejected. The United States was the setting for an unparalleled harnessing of economic and managerial resources in the modern world, as the works of Alfred D. Chandler, Jr. make clear. While his broad generalisations have been much maligned in recent years, there is no doubting the strength of the contribution made by the large-scale corporation in the United States over the period 1870-1970. Whatever the refinements and resistances exhibited by entrepreneurs and managers in European countries, the impact of American experience, in management education and training, organisation, production methods, and technological systems was clearly evident. This is what makes ‘Americanisation’ such a fascinating and enduring subject for study.

NOTES

1. This is an edited version of remarks delivered in Roubaix, 22 September 2001.

AUTHOR

TERRY GOURVISH
London School of Economics