

# Multinational Enterprise, Political Risk and Organisational Change

From Total War to Cold War

Edited by Neil Forbes,  
Takafumi Kurosawa and Ben Wubs

First published 2019

ISBN: 9781138047822 (hbk)

ISBN: 9781315170572 (ebk)

## 1 Swiss and (Anglo)-Dutch Multinationals and Organisational Change in the Era of Total War

*Takafumi Kurosawa and Ben Wubs*

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The OA chapter is funded by Graduate School of Economics,  
Kyoto University



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## Introduction

It has been suggested that the two world wars were a part of the cause of the decentralised corporate structure of European multinationals and that companies in the neutral states (the Netherlands, Sweden and Switzerland) enhanced their international competitive advantage.<sup>1</sup> However, research into multinational companies, based in neutral states, that might have capitalised on the war to gain a competitive edge is still scarce. Considering the tendency of European companies to demonstrate adaptation to the local market and to manifest a more decentralised structure than their American counterparts, an in-depth analysis of the impact of the two world wars on European corporate structure, together with the exogenous condition of the division into small national markets, has yet to be made.

This chapter aims to explore organisational change as a result of political and security risks of four major European multinationals—Roche (pharmaceuticals), Nestlé (food), Unilever (non-mineral oil, fats, food and soap), and Philips (incandescent lamps, electronics)—originating partly or wholly from two relatively small neutral countries at the time, namely Switzerland and the Netherlands. Both countries had highly developed, open economies with a high density of multinational enterprises. The chapter is based on four company archives, government archives, research results of the Independent Commission of Experts (ICE),<sup>2</sup> as well as corporate histories of the four companies. It addresses the following questions: how did both wars and nationalistic economic policy affect the organisational structures of these four multinationals, and to what extent did these organisational changes have elements of duration and continuity?

Despite their worldwide presence, the Swiss companies have not been studied much, even in Switzerland, compared to companies in other neutral states. It was as late as the mid-1990s that the study of the period from the 1930s to 1945 intensified in response to the international debate; the result was the establishment of ICE, and yet still relatively few research works are based on a business historical perspective.<sup>3</sup> The studies that do

exist are hardly known outside Switzerland, and the amount of research on international comparisons is far from sufficient.<sup>4</sup> With regard to the Netherlands, Ben Wubs explored the case of Unilever, but the scope is mostly limited to analysing the UK, and German-dominated continental Europe.<sup>5</sup> Ivo Blanken published a study of Philips during the German occupation, but this research focusses particularly on the occupied Netherlands.<sup>6</sup> Although the four companies studied here showed similar organisational responses, a closer look shows that political circumstances between Dutch, Swiss and Anglo-Dutch companies differed greatly. The moment when managements decided to reorganise the companies in response to political risk also differed. Sometimes several exogenous pressures played a role at the same time. Generally, increased levels of taxation are key to understanding organisational change during the inter-war period. Economic nationalism, and the threat of war and military occupation forced companies to take even more extreme measures. The four case studies focus particularly on the following significant themes: localisation (adaption to national circumstances), decentralisation, taxation, the formation of holding companies, twin corporate structures and geographical relocation of the businesses.

### **F. Hoffman La Roche in the Border City: From Foundation to the First World War**

F. Hoffmann-La Roche & Co. was established in 1896 in Basel, a city at the junction of Swiss, German and French borders, a geopolitical fact which gave the company an international character from the beginning. German Patent Law called for the domestic exercise of a patent within three years of approval; this prompted Roche, since its founding, to locate its main plant in the nearby village Grenzach on the German side of the border. The company relocated successively most of its R&D function, sales organisation and patent management operation there by 1910.<sup>7</sup> It also started exporting its product and establishing its export agencies in each country and, from the early 20th century, it also increased the number of local subsidiaries and pursued localisation of packaging and legal compliance. It started, before its competitors, highly personal sales activities in each market by using medical representatives. With its subsidiaries and agencies in 35 countries, it had become Europe's second largest pharmaceutical enterprise next to IG Farben by 1929.<sup>8</sup>

For a company with such multinational characteristics, the First World War dealt it an unexpected major blow. The Swiss-German border was closed, the traffic between its biggest manufacturing base, Grenzach, and the headquarters was made difficult, and the supply of intermediate materials from Germany to Switzerland was disrupted. Since the company had its largest plant in Germany and a French name (after its founder), it was exposed to boycotts and the risk of blacklisting. Its French subsidiary

tried to break through this deadlock by advertising its support of France. However, in July 1915, Emil C. Barrell, the then manager of the Grenzach plant in Germany and a future president of Roche, was detained and placed under house arrest in Berlin for the rest of the war, thereby undermining the company.<sup>9</sup>

Under these circumstances, Roche expanded its main factory at its Basel headquarters in Switzerland, renamed its subsidiaries, and kept a low profile in advertising. The German plant was restructured and given an independent corporate status—Chemische Werke Grenzach AG (Cewega)—in early 1916, under which *Suddeutsch Diskont Gesellschaft* became its shareholder, with an agreement that the shares would be bought back after the conclusion of a peace.<sup>10</sup> The existing plant management led by the Swiss was maintained, but most of the members on the auditing committee and the board of directors were replaced with Germans, and the employees were reshuffled between the Basel headquarters and the German production base, according to their nationalities. It was an attempt to pursue localisation and dilute its Swiss character.<sup>11</sup>

The company faced bankruptcy in 1919 because of difficulties during the First World War and the collapse of its foreign-currency asset value in the immediate post-war period. It was reorganised as *F. Hoffmann-La Roche & Co. AG*.<sup>12</sup> In the following year, after the demise of Fritz Hoffmann, the company founder, Barrell returned from Germany to assume the presidency. Likewise, in 1921, the US subsidiary experienced financial difficulties, but Barrell managed to steer through these by a drastic reduction in headcount, consolidated his authority by dispelling veteran and family board members and instated corporate governance under professional management.<sup>13</sup>

The company's penetration into the US market had begun with the establishment of a sales agency in 1895 and moved into higher gear with the founding of a subsidiary in 1905.<sup>14</sup> Following the crisis directly after the First World War, its US subsidiary made a staggering recovery in revenue under President Elmer H. Bobst, an American, surpassing the performance of the German subsidiary in 1926, and that of the Basel headquarters in 1929. After 1921, it kicked off a fully fledged local production unit, and relocated the production base from New York to Nutley, New Jersey, in 1929.<sup>15</sup>

### **Conversion to a Twin Corporation, Great Depression and Readiness for Another General War**

The pre-war international economic order did not return after the end of the First World War and multinational companies were forced to adapt themselves to the new situation, which could be characterised by a heightened tone of retribution, mutual distrust and economic nationalism. National tax authorities started targeting the profits attributable to the

in-country operations of foreign-domiciled companies, and increasingly prioritised their homegrown enterprises through economic policies such as the protection of intellectual property rights. In addition, wartime disruption of transport and communication, seizure and boycott of foreign firms were still fresh memories. These factors had noticeable impact on corporate governance and corporate organisational structures.<sup>16</sup>

One of the countermeasures taken by multinationals in such an environment was to reorganise their headquarters as a holding company. At Roche, the headquarters in Basel had directly owned the shares of its foreign subsidiaries but, after 1927, the shares were gradually transferred to a holding company called Sapac, which was established in Lichtenstein.<sup>17</sup> At that time, a Sapac share was deemed identical to a Roche share, and the Roche shareholders were assigned a Sapac share for every Roche share they owned. The two companies' shares were deemed inseparable. Roche shareholders received the dividend from both companies, but the Sapac shares were set aside and managed by trust businesses, so that the possibility of direct disposal of shares by Roche shareholders was excluded. The Roche group businesses were now reorganised as identical twins, taking a unique form, with each independent of the other, with no capital ties but sharing the same shareholder composition by their articles of incorporation. This double corporate form was intended to avoid the risk of seizure of foreign subsidiaries, tax claims on the parent company, blacklisting due to filiation, while maintaining integrity as a single corporate entity and ensuring equitable distribution of the group's profit to their shareholders.<sup>18</sup>

In March 1938, when Nazi Germany annexed Austria, Roche relocated Sapac to the Republic of Panama, away from Liechtenstein which now bordered the Third Reich. At the end of the same year, President Barell came back from the US and asserted that their business focus should be on the 'West', namely the Anglo-American world and Latin America. He made a decision to scale back the expansion plan of the research institute in Basel and to reallocate the resources to the UK and the US.<sup>19</sup>

The favourable setting of Panama can be seen in light of the fact that Nestlé had also chosen to set up its holding company there. Located at a geopolitically convenient setting between two oceans and two continents, it was not only far away from the warring states of Europe but, for a Latin American country, it also enjoyed a favourable political environment and an excellent economic infrastructure. It was virtually an American colony, with US sovereignty over the Canal Zone, and almost owing its independence to the interests of American capital.<sup>20</sup> During the Second World War, its political situation became temporarily destabilised, starting with the declaration of war against the Axis, and the advent of a short-lived, anti-American government. Nevertheless, Panama stayed within the American sphere of influence, both militarily and economically. Its company law and taxation system were extremely favourable to foreign

holding companies, thus offering an ideal safe haven for companies originating in Switzerland, which, unlike the UK, France, Belgium and the Netherlands, lacked overseas colonies.<sup>21</sup>

### **Flight of President Barell to the US and the De Facto Double Headquarters System**

On 15th September 1939, a fortnight after the outbreak of the Second World War, the Roche board, assuming a German invasion of Switzerland and the need to plan for contingencies, adopted a resolution to relocate its headquarters.<sup>22</sup> At the same time, letters of resignation by all board members were entrusted to legal counsel, and a document for invalidating board members' signatures was prepared, in readiness against aggression by the occupation forces. Barell insisted on relocating the headquarters to the US, but the other members objected to his proposal. Thus a relocation only to Lausanne was decided on for the time being, after which business operations were still carried out in Basel.<sup>23</sup> During the eight months of the Phony War, the board remained alert, but the situation drastically changed with the outbreak of war on the Western Front. On the eve of the collapse of the French army on 21st May 1940, Barell travelled to Genoa, and further to New York, accompanied by his family.<sup>24</sup> After Barell had left the country, business operations on the European continent were executed by a daily conference of the executive members that remained in Basel. Important decisions were made in the weekly board meetings at the consent of Brugger (a board member of Basler Handelsbank), as Barell's proxy. Barell found himself a base in the US subsidiary in Nutley, then his own office in New York, and kept in close communication with Basel via post, telegram and telephone, and stayed on top of the whole group. Most of the subsidiaries and agencies in the Allies' sphere of influence came under the supervision of Nutley, and a number of managers and researchers were transferred to the US from the autumn of 1940 to the following year. This way, Roche gradually transformed into a double headquarters system in order to cope with the division of markets into a western sphere and a Nazi-dominated sphere.

Most of the pharmaceuticals products had been produced in the US since the early 1920s, but the R&D function was also beefed up during the war to give the US subsidiary the position of the largest research base of the group. Roche grew to be the biggest vitamin provider to the Allies during the war, and started production of penicillin in 1943 at the request by the US Administration. The staffing level at the US subsidiary went up from 669 in 1940 to 2,000 in 1943, surpassing that of the Basel headquarters that grew from 800 to 1,200 during the same period.<sup>25</sup> In 1935, revenues of the Swiss market, the US subsidiary and the German subsidiary each represented a little under 20 percent of total group revenue. But, between 1935 and 1943, the revenue from the US subsidiary

grew 17 times to the point where it represented half of the group's entire revenue.<sup>26</sup>

The double headquarters organisation developed without a formal restructuring having taken place and under conditions of rapid expansion in the nature of business; as a result, the corporate governance of Roche was destabilised. Bobst, general director of the US subsidiary, who had been manoeuvring for independence during the interwar period, attempted to list the subsidiary on the New York Stock Exchange. The board members of the Basel headquarters opposed this move, feeling apprehensive of a possible breakup of the group. The Financial Director, Fuchs, ran the risk of travelling to the US twice during the war to block this movement, and claimed that Bobst's authority should be restricted to production and sales within the US. This dispute was finally settled in Fuchs' favour with the resignation of Bobst.<sup>27</sup>

In Europe, on the other hand, the Berlin subsidiary enjoyed increasing sales thanks to exports to Germany and German-occupied areas and to the military demand, when two officers started to act arbitrarily on their own authority. In 1941, they attempted to take control of the subsidiaries in the areas under German control. However, the general manager of the Grenzach plant stood by the Swiss headquarters. The removal of the two German directors also helped Roche to survive this crisis.<sup>28</sup>

### **Reintegration With the Swiss Headquarters After the War**

Roche built its double headquarters system during the war, on the existing twin corporate organisation, but it made an about-face in the post-war period and worked toward strengthening the centripetal force of the Swiss headquarters and reintegrating the organisation. At the beginning of 1946, Barrell returned to Basel. In June, a board meeting was convened with the attendance of the presidents of all the foreign subsidiaries in addition to the board members of the headquarters, where decisions on the re-centralisation of the group, and the streamlining of duplicated functions and the organisation was made. As a consequence, the R&D function was integrated at Basel, and at Welwyn Garden City in the UK and Nutley in the US, with increased mutual ties between them. On the other hand, a policy was set for each subsidiary to work independently for market-specific items, such as clinical trials. During the war, the Latin American subsidiaries under control of the US subsidiary, and the sales channels outside Europe, had been consolidated under Sapac. Immediately after the war, another hub was founded in Montevideo, the capital of Uruguay, to avoid intensification of taxation by the US government on overseas holding companies, which had their main income source from the business in the US. The group's account settlement organisation was set up in Montevideo, where an executive commercial manager at the Roche headquarters was stationed to oversee the operation. This



measure made the structure of the group even more complicated, but Sapac remained in Panama until it was relocated to Canada in 1962.<sup>29</sup> In this way, the post-war period saw the reorganisation of Roche's global organisation and integration, but against the backdrop of the Cold War, the twin structure of Roche and Sapac was retained until 1989, when it renamed itself Roche Holding AG.<sup>30</sup>

For Roche, whose non-European market sales to its overall turnover had been merely at a 20 percent level before the war, the Second World War served as an important impetus for it to transform itself from a multinational firm based in Europe to a global multinational in the true sense of the word. The company managed to tide itself over (from the risk of a divided world market) through its twin corporate structure introduced in the pre-war period, and by the de facto double headquarters system it had established after the outbreak of war. Although its inclination toward the US market had put it on the verge of being broken up, it managed to sustain itself. While extending the R&D and sales organisation in the US, it managed to retain its identity as a multinational corporation by reintegrating the headquarters function at Basel in conservative Switzerland, albeit in a city bordering three countries, and at the same time by preserving the corporate culture that is sometimes described as family-based. This prompted the company to grow as a multinational that reflected the European market environment with its variety of sovereign states, by capitalising on its strength in marketing to cater closely for the uniqueness of each national market, whereas many American multinationals thrived on the potential for product innovation and competition offered by the size of the US domestic market.

### **Nestlé and Anglo-Swiss Condensed Milk Company, Ltd.**

Nestlé was already a global multinational food company on the eve of the Second World War, having 22 subsidiaries in different countries, producing at 105 production bases in Europe, the Americas, Australia and Japan.<sup>31</sup> The history of Nestlé dates back to 1866, when two companies were founded. In this year, Charles Page, an American consul in Zurich, set up Anglo-Swiss Condensed Milk Co., a joint-stock company in Cham near Zurich, together with his brother, to start producing condensed milk. In the same year, in Vevey, on Lake Lemman, Henri Nestlé, from Frankfurt am Main, started selling infant formula products under the name of Farine Lactée Henri Nestlé. After nine years, in 1875, Henri's business was sold to a group of local entrepreneurs, but the company continued to bear his name. These two dairy producers, in the eastern and western Switzerland, penetrated into each other's product areas through fierce competition before merging in 1905 as Nestlé and Anglo-Swiss Condensed Milk Co. (hereinafter called Nestlé).<sup>32</sup>

For 17 years between 1905 and 1922, Nestlé remained a single corporation with a multiple headquarters organisation.<sup>33</sup> At the headquarters in

Cham in the German-speaking area, the directors from the former Anglo-Swiss took charge of accounting, legal affairs, insurance and tax affairs, technology and manufacturing, logistics and sales in the German-speaking area. In the French-speaking area at Vevey, the executives from the former Nestlé were responsible for the sales in non-German-speaking areas in continental Europe, and the manufacturing at four plants in France and Switzerland. London, home to the sales base of both companies, had become a third headquarters that oversaw the UK and overseas businesses other than in North America. Nestlé's business management organisation was a minimal consolidation of the two companies' businesses organised by product and by strengths and weaknesses of each market, and thus was far from a unified management. The officers still comprised family members or relatives of the founders from the end of 19th century.<sup>34</sup>

### **Expansion During the First War, Post-War Management Crisis, and Unification of the Headquarters Organisation**

The decisive element in enhancing Nestlé's multinational characteristics was the outbreak of the First World War in 1914.<sup>35</sup> Thanks to war-driven military orders and the industrialisation of foodstuff associated with the war, the demand for portable and long-lasting condensed milk and powder milk surged.<sup>36</sup> On the other hand, war also brought about a serious, raw materials procurement problem. Nestlé positioned the US as the key supplier of these products, which was the world's biggest condensed milk market, far away from the battlefields. After 1915, Nestlé outsourced its condensed milk and powder milk production to Boden and other American producers, and in 1917 it started to acquire factories in the US (owning 43 already in 1920), and it either started or expanded local manufacturing in Australia and Brazil. Nestlé's global production capacity doubled during the war, with American production reaching half of Nestlé's total production.<sup>37</sup>

However, when the war ended, Nestlé was left with excess stocks and suffered a management crisis, and had to sell most of its newly acquired American production plants. In May 1922, it hired Louis Dupple, a banker, to promote streamlining of the business and slashing liabilities. In that process, the headquarters' function, which had been scattered to four locations, two headquarters in Switzerland, one in London (managing UK and its territories) and one in Paris (in charge of sales in continental Europe since 1919), was integrated in London. Two years later in 1924, the headquarters organisation in London was relocated to its place of origin, Vevey. In the following year, the executive board was replaced by professional managers, though the founding-family members and the owners from the 19th century were still on the board of directors.<sup>38</sup> The restructuring after 1922 had been a move to put a halt to the decentralisation process since the war and to seek to build an integrated management

at the headquarters. However, free trade did not revive after the war; instead, trade barriers were raised by countries. This, in turn, prompted the company to localise production and sales further.<sup>39</sup> The move toward restructuring the business into a single subsidiary per country started and went into full swing in 1930.<sup>40</sup>

## **Two Holding Companies and Security Measures With the Coming of the Second World War**

The restructuring in the 1930s stripped the headquarters of most of the markets under its direct management, such as the Swiss market. As a consequence, the headquarters was reorganised as a holding company called Nestlé and Anglo-Swiss Holding Company Limited (hereinafter called 'Nestlé Holding') in November 1936, and the former directly managed businesses, including the Swiss one, were transferred to the newly formed subsidiary in Vevey, called Nestlé and Anglo-Swiss Condensed Milk Company Limited.<sup>41</sup>

Simultaneously, a second holding company, Unilac Inc. (hereinafter 'Unilac'), was founded in Panama to manage business expansion inside Europe as well as security risks. The ownership of subsidiaries and affiliates in the Western Hemisphere was transferred to Unilac; the company's shares consisted of priority shares with voting right and ordinary shares. The former were solely owned by Nestlé Holding and the latter were distributed free of charge to Nestlé Holding shareholders. A Nestlé Holding share and a Unilac share had an identical serial number, and separate sale of each of them was prohibited. By this means, the two companies became twins, with an identical set of shareholders, just like Roche and Sapac.<sup>42</sup>

President Duple passed away in July 1937, and Eduard Muller succeeded to his post. It was agreed that Muller and vice president Gustav Huguenin would be transferred to the US and that the rest of the board would remain in the Swiss headquarters, should contingencies occur.<sup>43</sup> This came into effect on the eve of the war, in August 1939, when Muller actually travelled across the Atlantic. Most of the overseas assets outside continental Europe now came under the ownership of Unilac,<sup>44</sup> by which time it no longer existed as a mere holding company. It set up its management system within the US subsidiary of Nestlé at Stamford, Connecticut, (a suburb of New York). Muller took charge of the whole group from this second—or, rather, first in terms of revenue and size of the areas under its discretion—world headquarters.<sup>45</sup> After this move, the subsidiaries in continental Europe were the only ones that remained under the umbrella of Nestlé Holding.

The most important purpose in founding Unilac, at the end of 1936, was said to be the reinforcement of the US business. However, the tense European situation must also have been a consideration. Yet Nestlé's measure was motivated by a need to protect the ownership of its shareholders,

rather than a fear that the company might be endangered; preparedness against a direct seizure of assets by the Axis Power was not its main intention. This was because there was no way of preventing the confiscation of Nestlé's assets within the sphere of German influence, should Germany invade Switzerland, and because it was impossible for Germany to exercise virtual control over Nestlé's assets under the influence of the Allies, even if it did manage to confiscate its shares.<sup>46</sup> Rather, there was a risk that, under German occupation, Nestlé's subsidiaries and assets might be confiscated as enemy assets.

From this perspective, however, as long as the preferred shares (voting shares) of Unilac were in the hands of Nestlé Holding, this scheme without the complete separation of the two holding companies was not adequate. Therefore, Nestlé Holding set up a company called Uprona, in Uruguay, in December 1939, and transferred most of Unilac's preferred shares to it. The remainder was privately owned by the two top managers, who relocated themselves to the US, and by the president of the US subsidiary. These were measures to achieve a higher level of formal separation between the two holding companies, and to relocate both ownership and control from the European continent to Americas. As for the ownership of Uprona, another complicated scheme with trust indenture was introduced and its formal separation from Nestlé Holding was achieved.

## Two Spheres of Influence and Two Headquarters

The Second World War saw a major expansion of the business of Nestlé under Unilac. The Latin American production bases were scaled up, and they expanded their sales by delivering to the military, including products like Nescafé.<sup>47</sup> It also maintained a favourable relation with the US government and escaped being put on the blacklist. The dividend was not transferred during the war due to quota restrictions imposed by the foreign exchange clearing agreement and was accumulated within Unilac as a secret reserve. As a result of difficulties in transportation and communication, its foreign subsidiaries increased their tendency toward local sourcing and sales.

Meanwhile in Europe, under the hegemony of Germany, Karl Avec (a Swiss national) vice president, served as chairman of the board of directors of Nestlé Holding, and Maurice Paternot (a French national) controlled the European operation as the acting chief executive officer of the board of directors. After 1940, the personnel traffic between the two headquarters in Europe and Stamford almost ceased, but communication via post and telegraph was relatively dense, and this sharing of a single global strategy was also supplemented by means of the Swiss diplomatic courier.<sup>48</sup>

In such circumstances the two Berlin subsidiaries, Deutsche Aktiengesellschaft für Nestlé Erzeugnisse [DAN] (dairy products) and Sarroti AG (chocolate manufacturer) expanded their area of management under

President Hans Riggenschach from Switzerland, simultaneously with the expansion of the German-controlled area. As leading firms on the German market, the two managed to expand sales under the Nazi administration. They faced no foreign competition and, responding fully to the procurement needs of the military, they were able to avoid reductions in staff numbers, factory closures, or complete compliance with Nazi ideology. Unlike Maggi (food company), Brown Boveri & Cie (BBC, the third largest electronics manufacturer in Germany) and some other Swiss companies, Nestlé could maintain control over its German subsidiary. This was done easily because three-quarters of the Nestlé group's revenue came from business under Unilac, and the revenue of its German subsidiary was not so conspicuous in Europe either.<sup>49</sup>

### **Reintegration After the Second World War and Security-Based Corporate and Organisational Structures**

The post-war challenge for Nestlé, which was forced to decentralise under the pressure of war, was the reintegration of its two headquarters. Surprisingly, it was not until March 1947 that Muller finally returned to Switzerland, and only after the board meeting demanded this, hinting at his possible dismissal. He was apprehensive about the outbreak of a third world war against the USSR and, in May 1948, even proposed a complete dissolution of the two holding companies for security reasons. He was of the opinion that the operation should be integrated in the US—even the idea of a headquarters' detachment was to be discouraged—because of the large market and growth potential.<sup>50</sup>

However, his proposal was far from acceptable to the remaining directors in Switzerland. The executives who opposed relocation to the US based their argument on points such as how the history of Nestlé was deeply rooted in Switzerland, the US would be seemingly unable to escape from an outright participation in a next war, Switzerland's advantages as a neutral state, that 80 percent of the shareholders were Swiss, the existence of a favourable tax system in Switzerland, and lastly, the 'homecoming' in peacetime that had been promised in the board of directors meeting in 1940, when it voted to split the headquarters.

The strategy that Nestlé finally chose was to locate its headquarters in Switzerland, while enhancing its security measures.<sup>51</sup> Due partially to the transfer and repatriation of members from the US, the headcount swelled from 155 during the war to 490 in June 1947, though it was still a tiny headquarters for such a sizeable group.<sup>52</sup> A part of the US umbrella organisation of Unilac was kept for the top management to supervise in turn every half year, but after Muller died in the US in 1948, the move toward consolidating authority in Switzerland continued.<sup>53</sup>

Nonetheless, integration was a gradual process. The double structure was maintained for a long time both for the corporate form and

ownership structure. In April 1947, Nestlé Holding merged with Uprona, where Unilac founder's shares had been transferred, reassuming control over Unilac, and bought out Alimentana, a Swiss company owning the Maggi brand, and renamed itself Nestlé Alimentana. The company also brought its subsidiaries in the Sterling bloc under its corporate umbrella in 1950, and toward 1953 it formed a dummy company in Canada and the Bahamas, which underpinned its security measures. In 1959, it issued registered shares for the exclusive sale to the Swiss, in an attempt to intensify its Swiss identity. It was in 1964 that the Swiss headquarters finally bought back the US subsidiary shares from Unilac, and it was as late as 1985 that the US subsidiary was dissolved with the clear prospect of the Cold War ending.<sup>54</sup>

### **The Anglo-Dutch Unilever: Two Companies Within a Single Management Organisation**

Considered a British and Dutch company, Unilever was an offspring of a pan-European merger movement also involving companies in Czechoslovakia and France. In 1930, Lever Brothers and Margarine Unie/Union—a merger of Van den Bergh, Jurgens, Schicht, Hartog and Calvé-Delft two years before—set up two holding companies, Unilever Limited in London and Unilever NV in Rotterdam. They signed a so-called Equalisation Agreement aimed at an equal treatment of shareholders in Britain (Limited) and the Netherlands (NV), and to avoid double taxation.<sup>55</sup> After the merger, Unilever became one of the largest companies (measured by total capital) in Europe. Compared to Nestlé the Anglo-Dutch Unilever was a gigantic empire—it operated more than 500 businesses in more than 40 countries—achieving a dominant position in the non-mineral oil and fats, food and soap businesses in numerous markets all over the world.<sup>56</sup>

Unilever's legal dual form must not be confused with its organisational structure. The object of the merger agreement had been unity, as the company's name expressed. However, the formation of a centralised and unified company out of a conglomerate of former family businesses, managed directly from one centre (London) appeared much more complicated than the signing of an Equalisation Agreement. In fact, the formation of Unilever as a unified company would take another ten years, was violently disrupted by the Second World War and was continued after the war. Nevertheless, the Boards of Directors of Limited and NV were identical. From 1931 the Board meetings were regularly held in a new and impressive headquarters at Unilever House, in Blackfriars, London. Although professional managers played an important role in the 1930s, members of the old families were still well represented on the Board of Directors and had a good-sized share in the business until after the Second World War.<sup>57</sup> The Directors Conference, as Unilever's Board meetings were called, acted

as an informal exchange of information and opinions once a week. It also had a more formal function: the allocation of capital expenditure.<sup>58</sup>

Final authority, however, was delegated to an executive body: the Special Committee. Initially it was a body of eight persons, but by 1938 it had been reduced to six, of whom the most important were the chairman of Limited, Francis D'Arcy Cooper, and the chairman of NV, from 1937, Paul Rijkens. Both D'Arcy Cooper and Rijkens were typical examples of professional managers; both were in charge as a result of their management qualities and not by accident of birth. The Special Committee was primarily responsible for Unilever's general business policy; it focussed on overall monitoring, planning and resource allocation. The members did not conduct the daily business of any specific unit, but were kept informed of, and advised and decided on, the more important matters that were submitted to them by other directors.<sup>59</sup> The Special Committee had meetings with various executive committees. The business in Britain was exceptionally managed by a Group Executive, organised by product: soap, margarine, oil mills, and foods. The Continental Committee supervised the continental business in Europe. The Overseas Committee looked after Unilever's business in the British Empire and North America, and the United Africa Company (UAC), the largest trading company in the world, had its own Board. The Unilever Group, however, was not organised according to product divisions. Only the British business was—by way of exception—grouped by products, which originated in 1926 in Lever Brothers, and could be called a multidivisional organisation. The Unilever Group outside Britain, however, was organised along the lines of national companies rather than functional divisions. In the 1930s, Unilever was a huge conglomerate of hundreds of operating companies, organised in a complex legal structure. It was a conglomerate because it rapidly diversified into several unrelated business areas as a result of the merger and a large number of acquisitions during that period.<sup>60</sup>

### **Preparing for War: Establishment of a Trust Scheme**

In 1937, the subsidiaries under the two corporations in UK and the Netherlands were reshuffled, so that their profits were evenly shared to close the enlarging profit gap between them. This consolidated the highly profitable North American business, and overseas business outside the sphere of the British Empire under Mavibel, a holding company established by the Dutch NV, and the foreign business was placed under the direction of the NV Continental Committee and the Overseas Committee.<sup>61</sup>

The reorganisation was also done in the light of mounting tensions in Europe. NV was expected to keep its independence as a financial entity on the basis of the profits from its US subsidiaries even in case of an extreme contingency, as long as the Netherlands and the US remained neutral. However, with the prospect of a possible occupation of the Netherlands,

additional security measures were implemented. Philips and Royal Dutch Shell planned to utilise the new Dutch law of April 1940 to relocate the place of registration to Curaçao, in the Dutch Antilles.<sup>62</sup> Unilever's solution, however, was to set up two holding companies in South Africa, in 1939, to which all overseas assets outside the British Empire would be transferred in case of emergency. These holdings were linked to London via trust contracts (named the 'White Hall Trust'—indicative of the close relations between the company and government).<sup>63</sup> This scheme was devised so that Unilever Limited in London was enabled to manage the group's foreign subsidiaries, which served most of its purpose during the war. Namely, the British administration tolerated the fact that Limited directly controlled NV's indirectly owned overseas subsidiary, which otherwise would have been legally subject to confiscation and management as 'enemy assets' under the German occupation.<sup>64</sup> As a result, a system came into being where two holding companies in the two blocs were to exercise control over their respective area of management.

### **Outbreak of the War: Conversion to the Two Headquarters System**

Unilever's twin structure changed from a legal entity to a substantive two headquarters system due to the outbreak of the Second World War on September 1, 1939. NV in Rotterdam came to have its own board of directors separately from Limited in London, with their board members consisting solely of Dutch and British nationals respectively. At that time, Franz and Heinrich Schicht, from one of the Czechoslovakian founding families, who had received German nationality after the occupation of Sudetenland and had been on the identical boards of directors of the two companies, were sent to Berlin to be directors of the German headquarters and holding company, Margarine Verkaufsunion (MVU) in Berlin. Georg Schicht, the largest individual shareholder, who had been naturalised in the UK, remained as an executive officer of Limited. During the war, Limited maintained close communication with the British government and the Dutch government in exile in London, and supported the Allies' war effort. The Continental Committee, in control of the subsidiaries in continental Europe, was relocated from London to Rotterdam, after which it refrained from direct communication with the London headquarters.<sup>65</sup>

The situation changed again in May 1940 after the German invasion and occupation of the neutral Netherlands. The Jewish directors of NV fled the country, two of whom became executives of Limited. The board of directors of NV was revamped, after which Germans accounted for half of the members, including Karl Blessing, a former board member of the Reichsbank and board member of MVU in Berlin.<sup>66</sup>

Despite the Germanisation of NV, the most important positions in the board remained in Dutch hands. Pieter Hendriks, for example, held the



chair of the Dutch board during the whole war period. Besides, all new German directors had had previous ties with NV before the outbreak of war.<sup>67</sup> Therefore, the organisational disconnection was only partial. This was why Limited in London and NV in Rotterdam managed to share a common strategy, despite their formal division and lack of communication. The German authorities in the occupied Netherlands restricted the action of the latter, but independence as a corporation was maintained to a certain extent. This was also a result of the doubling of the management headquarters on the European continent in Rotterdam and Berlin. While the German subsidiary increasingly made unauthorised decisions for itself, extending its control over subsidiaries in Central and Eastern Europe, the Dutch directors in Rotterdam were left with a certain room for manoeuvre. This was because the German directors had stationed themselves in Berlin, thereby positioning the German subsidiary as the core of the group. Western Europe and Scandinavia except Sweden, however, remained under the control of Rotterdam even after 1942.<sup>68</sup>

Hermann Göring's appointment of Hans Ernst Posse as a special Reichs Commissioner for the Unilever Group, in June 1941, involved the preparations to subsume Unilever NV's capital under that of a German syndicate. The appointment turned out differently from what had been planned in the 1940–1941 period by various German agencies, and the developments did not prove to be unfavourable to Unilever. The Reichs Commissioner protected the company against attacks by greedy competitors like Reemtsma and Reichwerke Hermann Göring, in their endeavours to acquire pieces of the Unilever conglomerate in occupied Europe. The formal relocation of the company's headquarters to Berlin, which was sought by various German government agencies and supported by some German Unilever managers, like Franz Schicht, also ended in complete failure as a result of the Reichs Commissioner's policies. Actually, Unilever benefited from the political infighting in the Third Reich and its contradictory economic strategies.

### **Liberation and Reunification of London and Rotterdam**

In December 1945, Unilever went through a legal reunification. After the liberation of the Netherlands in 1945, Unilever Limited had made an application to the Bank of England for its approval for Limited to enter into a new Equalisation Agreement with NV.<sup>69</sup> The old agreement had been frustrated by the war.<sup>70</sup> During the war, Limited had paid 5 percent dividends on its ordinary shares; however, to fulfil the terms of the Equalisation Agreement it had set aside enough to take care of NV's shareholders dividends in the event that NV could not pay out. As a result, the company was able to make a financial settlement with its shareholders after the war.

After the liberalisation of the Netherlands, the German directors at NV and its subsidiaries were forced from office. All members of the Schicht

family, except Georg, were dismissed from Unilever NV's board and their shares were confiscated by the Dutch government. Georg Schicht, a British citizen who had remained in London during the war, left the company in 1946 disaffected by the nationalisation policy in Eastern Europe and Unilever's settlement of the issue. The company lost many assets without compensation, but the Anglo-Dutch company no longer wanted to be associated with the reputation of the Schicht family in Eastern Europe. This development during and after the Second World War intensified the company's identity as an Anglo-Dutch company. Actually, in post-war publications, the Schicht pillar in the history of the company is hardly mentioned. Based on the inspection tours to subsidiaries outside the European continent during the war, the centralised Continental Committee and Overseas Committee were abolished after the war.<sup>71</sup> Support functions for the foreign subsidiaries were expanded by establishing a so-called contact director system. The governance of subsidiaries was confined to approval of annual business, expenditure plans, and appointment of the management; thus the decentralised system was maintained and even became one of Unilever's main business principles after the war.<sup>72</sup>

The comparative sales turnover figures showed a big shift in the distribution of sales worldwide, which was an important result of the war. Before the war, the European business had been most important to the company; with Africa coming second. By 1946, however, the sales figures of the German and the East European business had become null and void for the company; British sales figures had increased slightly, also in relative terms. The largest growth, however, came from the US and Africa. In the 1937–1946 period, sales in the US almost tripled, thereby doubling the share represented by that country in Unilever's total worldwide sales. Sales in the US had risen as a result of the booming American economy, beginning at the end of the 1930s and continuing throughout the whole war. The shift of Unilever's sales worldwide had also been a result of a deliberate strategy pursued at the end of the 1930s, when the board had taken steps to replace earning capacity, which might be lost on the continent, by developing new earning capacity on other continents.<sup>73</sup>

### **N. V. Philips' Gloeilampen Fabrieken**

Philips & Company was established by the electrical engineer Gerard Philips in Eindhoven, in the south of the Netherlands, in 1891. Although the light bulb company was well organised technically, it incurred great losses until Gerard's younger brother Anton, trained as a financial specialist, joined the company in 1895. The combination of Gerard's technical skills combined with his brother's sales talent proved to be a success. The company began to sell incandescent lamps all over the Netherlands, and soon also across the border in Germany, in Westphalia and the Rhineland. By 1900, Philips & Company was able to pay back its original loans.<sup>74</sup>

As the European incandescent lamp market was fiercely defended by the big manufactures in Germany through cartels and patents, Philips sought new opportunities in North and South Europe, North and South America, Southeast Asia, Australia and South Africa. It aimed to build contact with sales agents, which in later years were taken over as sales companies.<sup>75</sup>

The constant growth of Philips & Co forced the company to look for a new management structure and stronger capital base. In particular, the older brother, Gerard Philips, who had no children, endeavoured to establish a limited company. In 1911, Henry van den Bergh, in London, one of the directors of the Dutch margarine manufacturer's family, advised Anton Philips to incorporate Philips in Britain, as Van den Bergh had done. According to him, it was still easier to find new capital in London than in Amsterdam. Nevertheless, in 1911 the London capital market was somewhat depressed, and in the Netherlands the introduction of preference shares a year before had been a great success. The interest of Dutch industrial companies in the Amsterdam stock exchange increased steadily. In 1912, the company was incorporated in the Netherlands and named N. V. Philips Gloeilampenfabrieken.<sup>76</sup>

Before the First World War, Philips was excluded from an agreement between the major German electrical firms like Siemens & Halske and AEG, organised in the *Patentgemeinschaft* (patent pool), and General Electric (GE). The purpose of this global entente was an exchange of patents and to carve out spheres of influence. In 1913, Philips was forced by the German bloc to sign a contract which limited the company's sales in Europe below its productive capacity. As a result, Philips expanded its exports to the United States which directly affected GE's sales in its home market. In 1916, GE therefore started negotiations with Philips about including the Dutch company in its network of licence holders if it stopped the export of incandescent lamps to the US. The 'Principal Agreement', as it was called, was signed in 1919 and brought Philips into the global inner circle of incandescent lamp manufacturers.<sup>77</sup> In addition, GE agreed to take a stake of 20 percent in Philips.<sup>78</sup> The agreement with General Electric was one of the main factors in Philip's post-war, foreign expansion within the incandescent lamp industry.<sup>79</sup>

Another factor was the end of the dominant role of the *Patentgemeinschaft* as a result of the First World War. In the Allied countries, the agreements with the patent pool had become invalid. Factories belonging to Siemens in Britain and France, and to AEG in Italy, had been sequestered as enemy property. Similar measures had been taken against German patents. In the major belligerent countries there had been scarcely any innovation in incandescent lamp manufacture. Moreover, German companies had lost a great deal of their export markets.<sup>80</sup>

Philips, on the other hand, had shown a formidable growth, as the German competition had fallen away during the war. Wartime conditions had forced the Dutch incandescent lamp manufacturer onto a road

of vertical integration. Before the war, it had been dependent on foreign technology, raw materials and semi-manufactured goods. In 1914, on the eve of war, Philips had set up its own Physics Laboratory (NatLab), which developed in a short period of time into an important knowledge centre for the company.<sup>81</sup> In the course of the war, Philips had also set up its own factories for noble gases and glass bulbs. In addition, the war had proven that working through local agents made the export organisation vulnerable. Philips, therefore, created its own sales organisation abroad.<sup>82</sup> All these new developments, in combination with the company's strong financial position at the end of the war, put the Dutch incandescent lamp manufacturer in an extremely favourable position.<sup>83</sup> Moreover, Philips made handsome profits during and directly after the war, and paid out huge dividends to its shareholders.<sup>84</sup>

In 1920, Anton and Gerard Philips decided to change the company structure in the Netherlands and set up a holding company—N. V. *Gemeenschappelijk Bezit van Aandelen Philips' Gloeilampenfabrieken*—which prevented foreign shareholders from taking over the company. The holding company owned all Philips shares, with the exception of GE's stake, and was allowed to market new share issues. The six priority shares of the holding company were in the hands of Dutchmen, either directors or members of the Philips' supervisory board. The priority shareholders were entitled to make binding nominations for the appointment of the board of the operating company, Philips' *Gloeilampenfabrieken*.<sup>85</sup> The establishment of the holding company also marked the transformation from family company Philips to the Philips group, consisting of several domestic and foreign operating companies. In addition to the internationalisation of the Philips group, it sought legal protection against hostile and foreign take-overs.

Meanwhile, Philips' German competitors, AEG, the *Deutsche Auer-Gesellschaft* and *Siemens & Halske*, had formed a single German incandescent lamp manufacturer—Osram GmbH. However, strong international competition and, in particular, Philips' expansionist policy in foreign markets, enforced the newly established German company towards an international incandescent lamp cartel. This fitted perfectly with the aims of GE to protect its American home market. Both the Americans and the Germans realised that such an agreement would not work without the expansion-oriented Philips. The latter chose stability instead of cutthroat competition. A little later, French and British manufacturers joined the agreement. As a result, at the end of 1924 all major companies in the world ratified the 'General Patent and Business Development Agreement' in Paris, which later became known as the 'Phoebus' cartel.<sup>86</sup> It appeared to be one of the most successful interwar cartels, lasting until the outbreak of the Second World War.

Peace on the incandescent lamp market proved favourable to Philips as it offered new opportunities. Because of its excellent financial position it

was able to diversify into new products and markets. In the early 1920s, Philips began to invest abroad, including France, Britain and Germany. However, the Phoebus cartel agreement did not allow Philips to produce incandescent lamps for the German market. Therefore, the company diversified in other directions and began to challenge the largest German electrotechnical firms, Siemens & Halske and AEG, with new products on their own home market.

The beginning of radio broadcasting in a number of European countries in 1923–1924, including the Netherlands, gave a powerful impulse to the development of a radio industry. Philips reacted rapidly to the rise in demand for radio valves, using its know-how from incandescent lamp manufacturing. Concentrating on mass production of radio valves of good quality soon put the company in a strong competitive position. In 1925, RCA tried to stop the expansion of Philips in its American home market and offered the Dutch company a licencing contract for various European countries if it undertook to stop expanding in the United States. After it had acquired C.H.F. Müller in Hamburg in 1927, a manufacturer of X-ray machines, Philips also obtained a factory of radio valves under the name Valvo, which had been set up in by Müller in 1924. Philips market share for radio valves in Germany increased to more than 30 percent.<sup>87</sup> Shortly after the take-over, Philips decided that research in X-ray technology should be continued in Eindhoven, but that the manufacturing would be done in Hamburg.<sup>88</sup> As a result of Philips' expansion abroad, particularly in Europe, and the several acquisitions it had made, the company had become a diversified electronics company during in the interwar period.

### **Economic Nationalism and National Trusts**

Economic nationalism of the 1930s forced multinationals like Philips to rethink their organisational structure. In 1937, Philips' board in Eindhoven discussed the reorganisation of its international activities; power and functions had to be transferred to the various national organisations (localisation), which had to be given the greatest possible autonomy.<sup>89</sup> The reorganisation of Philips' international structure took place between 1937 and 1940 in several countries, including Germany. In November 1939, the Allgemeine Deutsche Philips Verwaltung Gesellschaft mbH (Alldephi) was set up to control all German and Austrian subsidiaries.<sup>90</sup> The German reorganisation, however, was not only the result of plans of the Philips board in Eindhoven, but it was also the consequence of pressure from the Nazi government, which endeavoured to bring about a Germanisation of the Dutch firm. As a major electronics firm in Germany, Philips was too important for Nazi war plans to be left in Dutch hands.

When tensions in Europe were mounting at the end of 1938 and beginning of 1939, Philips made legal provisions in Britain in case of war. The

company realised that its factories in Britain would be possible targets for confiscation on the basis of the Trading with the Enemy Act if war were to break out between Britain and Germany. The solution found by Philips' legal advisers was to transfer its assets in the Commonwealth into the hands of a British trust. On May 1, 1939, Philips' management appointed the Midland Bank Executor & Trustee Company Ltd. as trustee. The purpose was to provide a legal structure under which Philips could operate its business in the commonwealth in the event of a German invasion. As long as Philips' management was able to control the business from Eindhoven ('Philips period'), the managing trustees had to act in accordance with instructions from the company's headquarters in the Netherlands. However, if the headquarters found itself in a position where it was unable to carry on management from Eindhoven as a result of the 'Specified Event' (i.e. the invasion of the Netherlands), the 'Shareholders period' would begin. From then on, the British trust would manage the assets exclusively in the interest of Philips' shareholders.<sup>91</sup>

A similar legal provision was set up in the US a few months later on August 25, 1939, to protect and manage Philips' assets in the US, Central and South America, with the exception of assets in Argentina which were transferred to the British trust. The Hartford National Bank and Trustee Company was to be put in charge of Philips' assets in the Western Hemisphere in the event of a German invasion of the Netherlands. Similarly, to protect the valuable assets in the Netherlands, the company set up the N. V. Philips' Exploitatie Maatschappij, on May 1, 1939; if the Germans invaded, the plan was to hire out all the machinery and buildings owned by N. V. Philips' Gloeilampen to this new company. This would, according to Philips' legal advisers, prevent the enemy from confiscating the assets and simultaneously allow production in Eindhoven to continue.<sup>92</sup>

### **Transfer of Registered Office to Curaçao and Philips' Management to New York**

In addition to the aforementioned provision, the company endeavoured to bring about the transfer of the registered offices of N. V. Philip's Gloeilampenfabrieken and the holding company, N. V. Gemeenschappelijk Bezit van Aandelen Philips' Gloeilampenfabrieken, which owned all the shares of the former, to Curaçao in the Dutch Antilles. However, a legal basis was lacking in the Netherlands for this transfer. The registered office of the company had already been transferred in February 1939 to the Hague—deemed a safer place than Eindhoven, which was located much closer to the German border. The Hague was situated inside the Fortress Holland, which was initially assumed a safe haven in case of a German invasion. However, the board decided a little later that this relocation would not be sufficient. As a result, it urged the Dutch government, together with BPM (Royal Dutch Shell) to prepare new legislation. Thereupon, the

Minister of Justice set up a mixed committee, consisting of government officials as well as Philips and BPM staff, to draft an emergency bill which would enable Dutch multinationals to transfer their registered offices to safer places in the Dutch Kingdom, namely, the overseas territories. A few weeks before the German invasion of the Netherlands, the law was signed.<sup>93</sup>

On the evening before the invasion of the Netherlands, deputy chairman Frans Otten received reliable information that a German attack was on its way. Thereupon the board decided to start with the evacuation of Philips' management, some selected staff, and some machinery to Fortress Holland. However, the greater part of the convoy never reached the western part of the country, except the group which included Anton Philips, Otten, Loupart, Van Walsum and some other senior staff members. The next day, Philips' senior management, together with the members of the Dutch government, sailed to the UK on board a British warship. Frits Philips, Anton's son, being a reserve officer in the Dutch army, was not allowed to leave the country. He went back to Eindhoven and took charge of the company's management in the Netherlands.

Immediately after the German invasion all legal provisions came into force: the company shifted its domicile to Willemstad in Curaçao, the agreement concerning the Exploitatie Maatschappij took effect, and both the British and American Trusts decided that the 'Shareholders period' had started. Shortly, Philips' board realised that from London it would be extremely difficult to manage Philips companies in neutral and unoccupied territories, and to stay in contact with Eindhoven. Formally, it was not even allowed to manage its companies in Britain according to the trust agreement. Consequently, Anton Philips, Otten and Loupart decided to move headquarters to New York. As a neutral state, the US offered ample opportunities to control the existing businesses around the world, and the possibility to expand Philips' business in North and South America.<sup>94</sup> In addition, the Advisory Committee of the American trust, which consisted of three American citizens, decided to set up a Board of Advice which included, exclusively, those Philips senior managers who had fled from the Netherlands.<sup>95</sup>

### **German Administrators in Eindhoven**

As the company had great significance for the German war industry, Philips was put under German administration. Shortly after the occupation Dr. O Bormann and Dr. O. J. Merkel were appointed by the Ministry of Aviation as administrators (*Verwalter*) of Philips' German holding company Alldephi. Two months later, they were also appointed administrators of NV Philips' Gloeilampenfabrieken in Eindhoven. The new Dutch directorate in Eindhoven, chaired by Frits Philips, did not protest against the appointment of the two administrators, because both Germans had

been on the supervisory Board of Alldephi before the occupation and could be seen as friendly business contacts. In particular, the appointment of Bormann, who had been a director of the incandescent lamp manufacturer Pintsch, a company that had had close business relations to Philips before the war, could not be seen as a real threat to the Dutch directors.<sup>96</sup>

In the first three years of the war, these German administrators helped Philips to defend itself against attempts of German competitors, like Telefunken and Bosch, which aimed to take over parts of the Philips organisation, or attempts by the Nazi state to Germanise Philips through mergers with other German companies. As agents for the Air Ministry, both administrators represented a faction in the polycratic Nazi regime that wanted Philips to manufacture components for military radio communication and to be split up and divided among German rivals. The price Philips, like all other Dutch multinationals, had to pay to survive the serious threats from competitors and various German government agencies, was manufacturing for and trading with the enemy. During the war, Philips' production of radio valves for military use grew dramatically. By 1942 the share of these radio valves had already increased threefold and it grew even further after 1943. Philips' sales of valves for the civilian market remained about the same during the war. Telefunken's share of military valves manufacturing only doubled, while its civilian production decreased. As a consequence, during the war Telefunken's parent company, AEG, complained to various German state agencies that its subsidiary company was being put at a disadvantage vis-à-vis Philips.<sup>97</sup>

### **Expansion in the Western Hemisphere and North American Philips Company**

During the war, Philips expanded its activities tremendously in the Western Hemisphere. Latin America, in particular Argentina, Brazil and Chile, became of great importance for Philips' industrial activities. FAPESA (Fábrica Argentina de Productos Eléctricos) was Philips' biggest manufacturing company in Latin America, and was controlled first by the British trust, but in 1942 taken over by the American trust through a capital extension. Philips' extensive activities in Latin America led to distrust by the American secret service (OSS). The company was working on important war contracts in Britain and the US, but simultaneously it had contact with its businesses in neutral countries in Latin America and Europe (Switzerland, Portugal, Spain and Sweden), and indirectly, via these neutral states, contact even with occupied countries. Furthermore, it was not clear to OSS what had happened to the company's relations with the Phoebus cartel and whether it was still in existence during the war. In 1943, OSS published an extensive report which recommended 'investigation of and action against the concern'.<sup>98</sup> Eventually, the report had no



negative consequences for Philips in the US. On the contrary, in organisational terms, the company continued on a path of aggrandisement.

As early as December 1940, director Loupart had presented his 'Work Plan' in which he had argued that Philips had to develop a substitute for Eindhoven in the US. Too many subsidiaries in the world relied too heavily on the technical input from headquarters in Eindhoven. The war situation had shown how dangerous this strategy could be. Therefore, the group had to develop a 'second power source' of know-how and semi-manufactured goods. However, as a result of agreements with GE and RCA, the company could not develop industrial activities in its core businesses (lamps, radio valves, radio sets), but it had to develop its US business in a different and new direction and preferably in joint ventures with American companies. In January 1942, the Philips board set up a new holding company for its US activities—the North American Philips Company (NAPC). Up until the autumn of 1944, NAPC's activities expanded tremendously, however, due to a fall in US war orders the company began to incur losses. Nevertheless, in 1946, Philips' board of management, which had returned to Eindhoven, stated that the group needed 'a permanent and active' presence in the US. In addition, the board decided that the continuation of the American trust would be an essential prerequisite for Philips' American identity and success in the country. The developing Cold War and outbreak of the Korean War convinced foe and friend alike that this was the right policy. But the separation of the US business and the group's strategy would lead to serious problem many decades later.<sup>99</sup>

## **Conclusion**

Roche, Nestlé, Unilever and Philips survived the mounting nationalism and division of markets during the world wars by localising their corporate organisation, by introducing twin corporate structures, and by doubling or dispersing headquarter functions. As a result, these European firms all came to have a relatively decentralised form of organisation. In addition, security considerations kept on prescribing their organisational form, ownership and governance structure after the conclusion of the world wars.

Dutch and Swiss multinationals showed similar responses to political risk, the threats of war and finally war. The dual structure was a general phenomenon of these large corporations, originally meant as tax constructions in the 1920s and 1930s, it became a defence mechanism against sequestration in Germany and the occupied countries as well as Trading with the Enemy Acts in Allied countries. The new organisational structures of these corporations were strategic responses to the threatening political conditions in the era of total war, which had long-lasting consequences. All four companies shifted part of their global business from

the European continent to the Western Hemisphere as a result of their organisational adaptations. The differences between firm strategies and responses can be explained by sector product specificity, different national circumstances as well as geographical spread of their respective interests. Clearly, it was not a matter of one size fits all. However, the analysis here focusses more on the similarities than the differences, because the strategic response can be interpreted as a general phenomenon, which to a large extent explains the decentralisation of Swiss and Dutch big business for the greater part of the 20th century. It was only after the end of the Cold War that these legal and organisational defensive constructions became superfluous.

Golden share and multi-layered share ownership, strongly rooted in European countries, are generally considered to reflect perspectives on the market, company, or corporate governance; but the security background should also be taken into account. It is an interesting fact in the history of the world wars that both camps generally never took a hard line towards business activities within their sphere of influence despite their wariness against them. This suggests that the two camps accepted the separation of the twin holding companies and division of headquarters function as substantial to a certain degree, and, to that extent it can be interpreted as a success of companies' proactive efforts to cope with political risks. Interestingly, the formation of holding companies as a legal entity played a big role in this period. They were used as financial and legal constructs, but often they were also used as legal form to manage operational businesses. More research is needed into the historical role and multidimensional usage of these legal vehicles.

Roche and Nestlé, both based in Switzerland, pursued decentralisation and localisation (adaption to national circumstances) of their management organisation to address the nationalistic reactions in many countries during and after the First World War. They reorganised their headquarters into special dual-structured corporations in the interwar period to avert double taxation and prepared themselves against possible political and war risks. Unilever, based in the United Kingdom and the Netherlands, and Philips, headquartered in the Netherlands, also pursued complicated legal provisions and decentralised and localised their foreign operations in the interwar period. Just before the German occupation of the Netherlands and the threat of invasion of Switzerland by the Axis, the four companies all doubled their corporate organisational and headquarters functions, and continued their business in markets dominated by the Allies as well as the Axis. The ratio of business conducted in non-European markets, including the US market, increased due to the war, which paved the way for post-war global operations. During the Cold War, security concerns seemed to continue to determine their corporate form, ownership and governance structure.

The four case studies have revealed that the behaviour of the corporations based in neutral Switzerland had certain commonalities with

multinational companies based in the Netherlands. The organisational and strategic countermeasures taken by Unilever and Philips against political and security risks were not so different from those taken by companies based in Switzerland. Neutral Switzerland, which appeared to be in an extremely precarious position confronted by the hegemony of Germany, was considered an unlikely shelter. Therefore, the US was selected as the safe haven for the world headquarters because of its security and the unparalleled market opportunities it provided. The Dutch Philips board also sought shelter in the US, while Unilever relied completely on the British state, nonetheless simultaneously redirecting its market strategy more to the US market. In this regard, the four case studies illustrate not only the impact of the world wars on corporate structure, but also the historic meaning of the world wars from a business perspective, namely the relative decline of Europe's position, and rise of the US as a hegemon.

## Notes

- 1 Geoffrey Jones, *Multinationals and Global Capitalism From the Nineteenth to the Twenty-First Century* (Oxford: Oxford University Press, 2005), 81–83, 243–244.
- 2 In mid 1990s, the debate on the gold transactions between the Swiss National Bank and National Socialist Germany and the 'dormant assets' in Swiss banks had unexpectedly escalated to strong criticism from the outside, mainly US, on Switzerland. In this context, the Swiss Parliament and the Federal Council (executive branch of the government) decided to investigate these accusations and established *Independent Commission of Experts Switzerland—Second World War (ICE)* ([www.uek.ch/en/index.htm](http://www.uek.ch/en/index.htm)). The outcome of this big research project was published as several interim reports and a series of publication of 25 volumes of monographs, which exceed more than 10,000 pages in total. The final report is published in four languages. See Independent Commission of Experts Switzerland—Second World War, ed., *Switzerland, National Socialism and the Second World War: Final Report* (Zurich: Pendo Verlag, 2002). Kurosawa published a Japanese translation of this final report, by adding follow-up research by several Japanese historians. See Takafumi Kurosawa, ed., *Churitsukoku Suisu to Nachizumu: Dainiji Sekaitaisen to Rekishi Ninshiki (Neutral Switzerland and National Socialism: The Second World War and Perception of History)* (Kyoto: Kyoto University Press, 2010).
- 3 An example of this kind of rare but intensive research is Hans Ulirch Wipf, *Georg Fischer AG 1930–1945: Ein Schweizer Industrieunternehmen im Spannungsfeld Europas* (Zürich: Chronos Verlag, 2001).
- 4 Historians' attention to corporate behaviour during the period of National Socialism and the Second World War intensified from the mid-1990s, and also focussed on other countries. The following research is worth mentioning. Harold James and Jakob Tanner, ed., *Enterprise in the Period of Fascism in Europe* (London: Ashgate, 2002); Joachim Lund, ed., *Working for the New Order: European Business Under German Domination 1939–1945* (Copenhagen: University Press of Southern Denmark, 2006); Christopher Kobrak and Per H. Hansen, eds., *European Business, Dictatorship, and Political Risk 1920–1945* (New York: Berghahn Books, 2004).
- 5 Ben Wubs, *International Business and National War Interests: Unilever Between Reich and Empire, 1939–1945* (London: Routledge, 2008).

- 6 Ivo J. Blanken, *The History of Philips Electronics N.V. Under German Rule*, Vol. 4 (Zaltbomme: European Library, 1999).
- 7 In 1914, among 700 employee of Roche, only 145 were working in Basel and most of its workforce for production was in Germany. Hand Conrad Peyer, *Roche- Geschichte eines Unternehmens 1896–1996* (Basel: Editiones Roche, 1996), 35.
- 8 Peyer, *Roche*, 116.
- 9 Peyer, *Roche*, 68; Lukas Straumann and Daniel Wildmann, *Schweizer Chemieunternehmen im «Dritten Reich» (Veröffentlichungen der UEK Bd.7 / Publications de la CIE Vol.7)* (Zürich: Chronos, 2001), 186.
- 10 Roche Historical Archive, Box Nr. AF.9\_103182, Anzeige ‘Cewega’. This document is a copy of Cewega’s advertisement published in *Münchener Medizinische Wochenschrift*. It maintains that Cewega was a pure German company and its profit was in Germany. Additionally, it emphasises that the company is a competitor for Roche in the third country.
- 11 Though the case of Roche is the most prominent one, almost all Swiss multinational enterprises experienced the same kind of difficulties and they responded with similar measures. In regard to the impact of the First World War on Swiss firms, see Roman Rossfeld and Tobias Straumann, ed., *Der Vergessene Wirtschaftskrieg: Schweizer Unternehmen in Ersten Weltkrieg* (Zürich: Chronos, 2008). After the end of the war, in 1920, Roche bought back the shares of Cewega. Roche founded a local subsidiary company in Berlin (F. Hoffmann-La Roche & Co. AG) to control sales activities in Germany. Cewega was merged with this German subsidiary. Peyer, *Roche*, 70; Straumann and Wildmann, *Schweizer Chemieunternehmen*, 186.
- 12 Martin Lüpold, *Der Ausbau der ‘Festung Schweiz’, Aktienrecht und Corporate Governance in der Schweiz, 1881–1961* (PhD diss., Zurich University, 2008), 140.
- 13 Roche Historical Archive, *Organigramme 1922*, ‘Schéma de l’organisation de la Centrale’ dated 6 Jan 1922; Peyer, *Roche*, 69–70, 84–90, 125.
- 14 Mira Wilkins’s intense and encompassing work on inward foreign investments in the US positioned the four companies studied here in a wider context. As she pointed out, the story of foreign investment in the United States is a subset of world economic history. Mira Wilkins, *The History of Foreign Investment in the United States 1914–1945* (Cambridge, MA: Harvard University Press, 2004).
- 15 In July 1929, at the peak of the bubble in the stock market boom in the US, Bobst visited Roche’s headquarter in Basel along with investment bankers from New York. They proposed a shocking acquisition deal. One was an acquisition of the whole of Roche group for \$25 million and the other was for the American subsidiary for \$5 million. Both were immediately rejected. However, Bobst never gave up his ambition even afterwards, namely independence from the parent company in Switzerland. Peyer, *Roche*, 62, 73, 109, 115, 151.
- 16 Martin Lüpold’s publication cited above traced the historical development of corporate governance in Switzerland. In this intensive work, he clarified the impacts of ‘Überfremdung’ (excessive influence of foreigners and foreign capital) arguments on the transition of governance system and corporate form towards a more ‘closed’ system. The introduction of voting shares and *Vinkulierung* (restriction of transferability) during the interwar period was a direct result of this trend. Lüpold, *Der Ausbau der ‘Festung Schweiz’*.
- 17 Peyer, *Roche*, 118; Roche Historical Archive, ed., *Aus meinem Berufsleben* (An autobiography written by a director of Roche). The Principality of

Liechtenstein formed a custom and currency union with Switzerland from 1924. The country legislated for very flexible corporate law ('Personen- und Gesellschaftsrecht') in 1926, with a clear intention to attract the relocation of foreign enterprises into the country. Christoph Maria Merki, *Wirtschaftswunder Liechtenstein: Die rasche Modernisierung einer Kleinen Volkswirtschaft im 20. Jahrhundert* (Vaduz: Verlag des Historischen Verein für das Fürstentum Liechtenstein), 136–141.

- 18 See also: Roche Historical Archive, *Aus meinem Berufsleben*.
- 19 Peyer, *Roche*, 152, 177–178.
- 20 David Howarth, *The Golden Isthmus* (London: Reader's Union, 1967).
- 21 Panama had many advantages, not limited to widely used US dollars and English. Its joint-stock company law was enacted in 1927, just a year after the legislation of the above-mentioned corporate law in Liechtenstein. The law in Panama is also extremely flexible. The law is modelled after US corporate laws, breaking away from the system of continental law, which had been a tradition since the independence of the country. The tax system of the country is also very favourable for inward relocation of holding companies. The object of taxation was limited only to corporate profits gained by businesses based on Panama's inland resources. Therefore, the tax system exempted holding companies in Panama from taxation on income from dividends transferred by overseas subsidiaries. Additionally, when a foreign company moved into Panama and registered there, liquidation of the company in the original home country was not postulated; therefore, the company was able to maintain its contractual relationship. Niklaus von Deschwanden, *Das Aktienrecht von Panama* (Berlin and Frankfurt a.M.: A. Metzner, 1961), 1–6; Elmar Jerien, 'Panama: Reasons for the Popularity of Private Interest Foundations', *Trusts & Trustees*, 15, no. 5 (2009), 397–402.
- 22 An automatic change of place of register to the location of the government in exile was made possible by its amendment in the following month. Wipf, *Georg Fischer AG*, 144.
- 23 Straumann and Wildmann, *Schweizer Chemieunternehmen*, 179–180.
- 24 This abrupt departure of Barell can be explained not only by his memory of arrest and detention by the German authorities during WWI, but also by the fact that his wife was a Russian-German Jew. Two other executive officers of Basel out of six travelled to the US during the war. Peyer, *Roche*, 152–158.
- 25 Peyer, *Roche*, 159.
- 26 Straumann and Wildmann, *Schweizer Chemieunternehmen*, 181.
- 27 For the detail of this crisis of governance and Director Fuch's travel, see: Takafumi Kurosawa, 'Breaking Through the Double Blockade: Inter-Atlantic Wartime Communications at Roche', *Jahrbuch für Wirtschaftsgeschichte*, 56, no. 1 (2015), 227–256. Bobst later went to Warner-Lambert and nurtured it as a global pharmaceutical producer. Peyer, *Roche*, 162.
- 28 Peyer, *Roche*, 163.
- 29 Peyer, *Roche*, 171–172.
- 30 Peyer, *Roche*, 119.
- 31 Martin Lüpold, 'Globalisierung als Krisenreaktionsstrategie. Dezentralisierung und Renationalisierung bei Nestlé 1920–1950', in *Globalisierung-Chancen und Risiken. Die Schweiz in der Weltwirtschaft 18.–20. Jahrhundert/ La globalisation-chances et risques. La Suisse dans l'économie mondiale 18e–20e siècles*, ed. Hans-Jörg Gilomen, Margrit Müller, and Béatrice Veyrassat (Zürich: Chronos, 2003), 215; Jean Heer, *World Events 1866–1966: The First Hundreds Years of Nestlé* (Lausanne: Imprimeries Réunies, 1966), 168.
- 32 Heer, *World Events*, 87–89; Jean Heer, *Nestlé. Cent vingt-cinq ans de 1866 à 1991* (Vevey: Nestlé, 1991), 30–33, 50–80.

- 33 Jean Heer, *Weltgeschehen. 1866–1966. Ein Jahrhundert Nestlé* (Vevey: Nestlé, 1966), 111; Heer, *Nestlé. Cent vingt-cinq ans de 1866 à 1991*, 99; Jean Heer, *Nestlé 125 Years 1866–1991* (Vevey: Nestlé, 1991), 108.
- 34 Lüpold, *Globalisierung*, 215; Heer, *Weltgeschehen*, 159, 179–192; Heer, *World Events*, 140, 158–170; Heer, *Nestlé 125 Years*, 128, 164–166; Heer, *Nestlé. Cent vingt-cinq ans*, 131, 166–168.
- 35 Local production by foreign direct investment started during the 1870s. Anglo-Swiss Condensed Milk, which exported 70 percent of its products, was very keen on local production. Nestlé was more reluctant to relocate production during the 19th century, but it also increased rapidly the dependency on onsite production since 1898. Heer, *Nestlé 125 Years*, 59–80.
- 36 Thomas Fenner, ‘Nestlé & Anglo-Swiss: Vom Schweizer Milchimperium zum Multinationalen Nahrungsmittelkonzern’, in *Der Vergessene Wirtschaftskrieg. Schweizer Unternehmen in ersten Weltkrieg*, ed. Roman Rossfeld and Tobias Straumann (Zürich: Chronos, 2008), 317–343, 317–343, 323. After the company won an order for the British military, sales in the market of the Central Powers became extremely difficult. Two factories in Germany, which used to have English names as their trade names, were integrated into a newly established local subsidiary company with a German name. Its main product brand ‘Milkmaid’ was changed to ‘Milchmädchen’.
- 37 Fenner, ‘Nestlé & Anglo-Swiss’, 326–337.
- 38 Heer, *Nestlé 125 Years*, 128, 164–166.
- 39 The Japanese market was an interesting example of this general trend. See: Pierre-Yves Donzé and Takafumi Kurosawa, ‘Nestlé Coping With Japanese Nationalism: Political Risk and the Strategy of a Foreign Multinational Enterprise in Japan, 1913–45’, *Business History*, 55, no. 8 (2013), 1318–1338.
- 40 Lüpold, *Globalisierung*, 211–234.
- 41 Heer, *Weltgeschehen*, 188; Heer, *World Events*, 166; Heer, *Nestlé 125 Years*, 173; Heer, *Nestlé. Cent vingt-cinq ans*, 175–176.
- 42 However, according to the ownership of the founder’s shares, Unilac was a subsidiary of Nestlé Holding, which is a slight difference from the Roche’s scheme. In the 1930s, Nestlé and Roche were partners in development and sales of vitamin tablets using concentrated milk as solvent. It should be considered that the corporate form of Roche was studied by Nestlé.
- 43 Heer, *Nestlé 125 Years*, 194. Heer, *Nestlé. Cent vingt-cinq ans*, 196.
- 44 As a result of transfer of ownership of the subsidiaries, Unilac bore liabilities to Nestlé Holding, which was repaid in instalments to Nestlé Holding within 1949. Christian Ruch, Myriam Rais-Liechti and Roland Peter, *Geschäfte und Zwangsarbeit. Schweizer Industrieunternehmen im «Dritten Reich» (Veröffentlichungen der UEK Bd. 6 / Publications de la CIE Vol.6)* (Zürich: Chronos, 2001), 183–188; Heer, *Weltgeschehen*, 188–189; Heer, *World Events*, 166–167.
- 45 Heer, *Weltgeschehen*, 189–192, 200; Heer, *World Events*, 167–170, 178; Heer, *Nestlé 125 Years*, 194–195; Heer, *Nestlé. Cent vingt-cinq ans*, 196–197.
- 46 Should Germany have occupied Switzerland and seized the headquarters of Nestlé, the ownership of Nestlé assets in other neutral states (such as the US before joining the war) could have been subject to transfer to the German government. As countermeasures to this possible contingency, the Swiss government ensured that the companies would automatically relocate their place of register to the location of the Swiss government in exile by enacting a federal government decree in October 1939, which Nestlé took measure to accommodate. Lüpold, ‘Globalisierung’, 234.
- 47 Nescafe was successfully introduced into the Swiss market in 1938 and into the US market the following year and made a great success. Its US production

- reached a million cartons in 1942. Heer, *Weltgeschehen*, 203–205; Heer, *World Events*, 180–182.
- 48 Ruch, *Geschäfte und Zwangsarbeit*, 274.
- 49 Because BBC sales depended much on military demand, and its German subsidiary was relatively big, i.e., close to its Swiss headquarters, it did not manage to drive a wedge in the abusive expansion strategy of its German subsidiary. Ruch, *Geschäfte und Zwangsarbeit*, 79–123, 166, 179–181, 183–188.
- 50 Lüpold, ‘Globalisierung’, 119–222.
- 51 Adopted was a complex scheme using a deposit agreement of the shares with voting rights, which was far more complex than the one used during the war. When transferring the subsidiaries from the Sterling area to its Swiss headquarters, it set up a dummy company in a third country, in order to prevent the British and American governments from confiscating its overseas assets, supposing a Russian occupation of Switzerland. Lüpold, ‘Globalisierung’, 225–226.
- 52 Heer, *Weltgeschehen*, 239; Heer, *World Events*, 212–213.
- 53 Lüpold, ‘Globalisierung’, 224.
- 54 Lüpold, ‘Globalisierung’, 227.
- 55 This scheme had also been also employed upon establishment of Margarine Unie / Union through merger in 1927, and in the corporate organisation of Van den Bergh, the other company in this merger. Wubs, *International Business*, 16.
- 56 Wubs, *International Business*.
- 57 Doreen Arnoldus, who researched into Van den Berg’s firm, among others, states that Chandler simply ignores the family character of the Margarine Unie/union and Unilever in the early post-merger period. According to her, he failed to acknowledge how the Margarine Unie/Union was formed by former family firms, whose family members still exerted control in the firm. Doreen Arnoldus, *Family, Family Firm and Strategy: Six Dutch Family Firms in the Food Industry 1880–1970* (Amsterdam: Amsterdam University Press, 2002), 378.
- 58 Alfred D. Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA: Harvard University Press, 1990), 384.
- 59 UAR, HIS 201, 1556, *Memorandum: Administration and Capitalisation of the Unilever Concern*, 24–8–1938.
- 60 Richard P. Rumelt, *Strategy, Structure, and Economic Performance* (Cambridge, MA: Harvard Business School Press, 1974), 23.
- 61 Rumelt, *Strategy*, 63–64.
- 62 Stephen Howarth and Joost Jonker, *A History of Royal Dutch Shell, Vol.2, Powering the Hydrocarbon Revolution, 1939–1973* (Oxford: Oxford University Press, 2007), 29–31.
- 63 In February 1939, Unilever set up a holding company in South Africa, under which it attached another holding company. During the German occupation of the Netherlands, the overseas assets of Unilever owned by Mavibel (excluding the ones in the British Empire and the Dutch East Indies) were transferred to this twice-removed subsidiary. At the same time, Unilever also established a trust body named White Hall Trust in London, to which it deposited the ownership of its said overseas assets. Half of the preferred registered shares with the voting right for board members of NV were transferred to the above-mentioned South Africa holding company, while the other half was deposited in White Hall Trust as Limit’s collaterals against liability to NV. Wubs, *International Business*, 62–65.
- 64 Wubs, *International Business*, 83.
- 65 Wubs, *International Business*, 77–78.
- 66 Wubs, *International Business*, 78–79.

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- 67 After December 1941, the board of directors of Unilever NV comprised three Dutch expert managers and three Germans. Wubs, *International Business*, 84, 110.
- 68 Wubs, *International Business*, 79, 111–112, 120, 162–165.
- 69 Unilever Archive London (UAL), MDC, 6 December 1945.
- 70 Unilever Archive London (UAL), MDC, 11 October 1945.
- 71 Wubs, *International Business*, 181.
- 72 Wubs, *International Business*, 158–165. For Royal Dutch Shell, the war is believed to have worked as a trigger to dissolve the imbalance between the Netherlands and the UK, to streamline the management organisation, and to change over to a strategy focussed on the Western Hemisphere. Howarth and Jonker, *A History of Royal Dutch Shell, Vol. 2*, 1–103.
- 73 Wubs, *International Business*.
- 74 Part of the information for the Philips case is based on information in the Office of Strategic Services (OSS) which was collected during the war. We are grateful to the Dutch radio programme Argos (VPRO) and its journalist Gerard Leenders who handed over to us this recently declassified material. National Archives and Records Administration (NARA), RG226, Records of the Office of Strategic Services, A1–210, file number WM14534, declassified NND974345, ‘The Philips Concern’.
- 75 A. Heerding, *The History of Philips Electronics N.V. A Company of Many Parts*, Vol. 2 (Cambridge: Cambridge University Press, 1988), 340–341.
- 76 Heerding, *A Company of Many Parts*, 291–298.
- 77 Ivo J. Blanken, *The History of Philips Electronics N.V. Under German Rule*, Vol. 4, 7–8; Heerding, *A Company of Many Parts*, 168.
- 78 Ivo J. Blanken, *The History of Philips Electronics N.V. The Development of N.V. Philips’ Gloeilampenfabrieken Into a Major Electrical Group*, Vol. 3 (Zaltbommel: European Library, 1999), 58.
- 79 Heerding, *A Company of Many Parts*, 335.
- 80 Ivo J. Blanken, *Philips’ Gloeilampenfabrieken Into a Major Electrical Group*, 12.
- 81 Kees Boersma, ‘Tensions Within an Industrial Research Laboratory: The Philips Laboratory’s X-Ray Department Between the Wars’, *Enterprise & Society*, 4, no. 1 (2003), 73.
- 82 Ivo J. Blanken, *Under German Rule*, 7–8; Heerding, *A Company of Many Parts*, 8–9.
- 83 Quoted in: Ivo J. Blanken, *The Development of N.V. Philips’ Gloeilampenfabrieken*, 21.
- 84 Heerding, *A Company of Many Parts*, 337.
- 85 Heerding, *A Company of Many Parts*, 338.
- 86 Its members had set up a company with this name in Geneva to manage the daily affairs of the cartel, i.e. Phöbus S.A. Compagnie industrielle pour le développement de léclairage. Günther Luxbacher, *Massenproduktion im globalen Kartell. G, Radioröhren und die Rationalisierung der Elektroindustrie bis 1945* (Diepholz: GNT-Verlag GmbH, 2003), 364–365.
- 87 Luxbacher, *Massenproduktion im globalen Kartell*, 442–443.
- 88 Boersma, ‘Philips Laboratory’s X-Ray Department’, 82–83.
- 89 Ivo J. Blanken, *Under German Rule*, 91.
- 90 Philips Company Archives (PCA), 882, Alldephi 1939-, 10 November 1939, *Notariele akte van Alldephi Verwaltung Gesellschaft ondertekent door O.M.E. Loupart*.
- 91 Ivo J. Blanken, *Under German Rule*, 114–116; National Archives and Records Administration (NARA), RG226, ‘The Philips Concern’, 27–41.
- 92 Ivo J. Blanken, *Under German Rule*, 118–119; NARA, RG226, ‘The Philips Concern’, 27–41.



- 93 Ivo J. Blanken, *Under German Rule*, 118–121; NARA, RG226, ‘The Philips Concern’, 33.
- 94 Ivo J. Blanken, *Under German Rule*, 126, 144; NARA, RG226, ‘The Philips Concern’, 33.
- 95 NARA, RG226, ‘The Philips Concern’, 34–35.
- 96 Ivo J. Blanken, *Under German Rule*, 137–144.
- 97 Luxbacher, *Massenproduktion im globalen Kartell*, 446–447.
- 98 The report was published in August 1943 and consisted of more than 400 pages. NARA, RG226, ‘The Philips Concern’.
- 99 Ivo J. Blanken, *Under German Rule*, 300–314.

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