

CÁTEDRA CORONA

18

**Foreign Firms and Business
History**
in Latin America

R O R Y M I L L E R

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Foreword

The Corona Visiting Scholars publishing program is the editorial byproduct of presentations by internationally recognized foreign scholars who visit the Management School of the Universidad de los Andes for a brief period thanks to funds donated by the Corona Organization in 1996 to finance the visiting scholar program that bears its name.

Through the years, the Corona Distinguished Visitors Program has fostered valuable exchange among researchers and teachers, renewing and stimulating the School's academic environment. It has also strengthened links with the international academic community in various areas of management and produced valuable feedback about the School's orientation, problems and future plans.

Work by invited academics takes place in the respective area of the School in such a way that it initiates a long-term relationship through joint research projects and extended arrangements.

The program also promotes travel by the School's academic staff to foreign academic institutions to strengthen

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the School's strategic connections and create long-term relationships with academic peers in foreign institutions.

With more than 160 visitors coming from various North American, European, Asian, Australian and Latin American universities in the United States, France, England, Spain, China, India, Australia, Argentina, Brazil, Mexico and Venezuela, this series of publications is editorial testimony of the program's valuable contribution. The current issue, number 18 in a series, contains two unpublished papers written by Dr. Rory Miller, Reader in International Business History at the University of Liverpool and Joint editor of the Journal of Latin American Studies. The second paper was presented for discussion at the Facultad de Administración in Universidad de los Andes during his visit in April 2008.

*Publications Committee
August 2010*

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Introduction

This volume contains two previously unpublished papers, written initially in 1998 and 2007 for different conferences. Both reflect the collaboration that I have enjoyed with Carlos Dávila of Universidad de los Andes for the last twenty years, which commenced when Carlos invited me to participate in a panel he was organising on Business History in Latin America at the CLADEA congress held in Bogotá in 1992 by contributing a paper on Peruvian business history. The papers from this panel, together with a couple of additional ones commissioned after the congress, were subsequently published, initially in Spanish, and then, after translating, updating, and revision, in English¹. At the time of the CLADEA congress in 1992 I would not really have considered myself a *business* historian. I was in fact an economic and social historian on the retreat from a Peru that was dominated by inflation, economic catastrophe, and the civil war between Sendero Luminoso and successive civilian governments. A difficult and fruitless research trip to Lima and Arequipa in 1988 had persuaded me that this combination of circumstances meant that there was little long-term future in research on Peru until one could be sure of the outcome of the insurgency. This left me free to reorientate my research. At the time of the congress in Bogotá I had just finished a book on British political and business interests in Latin America in the nineteenth and twentieth century, which was framed very much in terms of the debates over imperialism

¹ In Spanish as Carlos Dávila L. de Guevara (ed.), *Empresa e historia en América Latina: un balance historiográfico* (Bogotá, 1996), in English as Carlos Dávila & Rory Miller (eds.), *Business History in Latin America: The Experience of Seven Countries* (Liverpool, 1999). The introduction to the Spanish edition was written by Carlos Dávila, to the English edition by Rory Miller.

and dependency, and was considering what to do next, since a return to research on Peru seemed difficult to envisage².

Following the publication of that book I was invited to participate in a number of collective projects, on free-standing companies, on multinational trading houses, and on the British empire, which, together with editing the English-language version of the papers given at the CLADEA congress in Bogotá, caused me to rethink my approach to business history³. When Ricardo Salvatore sent me an invitation to contribute to a panel on the state of economic history in Latin America at the 1998 International Economic History Congress planned for Sevilla, I quickly agreed to his suggestion that I should write a paper on the situation of business history in the region. Unfortunately the panel never took place as a result of the last-minute transfer of the congress from Sevilla to Madrid, I never gave the paper, and it remained largely buried on the hard disk of a succession of computers except that I made it available to colleagues who asked for a copy. The first of the two papers in this volume has this original conference paper as its core, but I have revised it quite heavily with the intention of providing a critical historiographical essay on the development of business history in and about Latin America in the final third of the twentieth century, with a particular emphasis on the scholarship on foreign firms.

In 2000-01 two further changes took place in my professional trajectory, one institutional and one research-driven. Between them these have given rise to the second paper in this volume. The institutional change, after a nightmare eighteen months running the Institute of Latin

² Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London, 1993).

³ These contributions were eventually published as Rory Miller, 'British Free-Standing Companies on the West Coast of South America', in Mira Wilkins & Harm G. Schröter (eds.), *The Free-Standing Company in the World Economy, 1830-1996* (Oxford, 1998), pp. 218-252; Robert Greenhill & Rory Miller, 'British Trading Companies in South America after 1914', in Geoffrey Jones (ed.), *The Multinational Traders* (London, 1998), pp. 102-127; Rory Miller, 'Informal Empire in Latin America', in Robin W. Winks (ed.), *The Oxford History of the British Empire. Vol. V. Historiography* (Oxford, 1999), pp. 437-449.

American Studies in Liverpool, was to accept the university's invitation to join the Management School that it had decided to establish. For me this meant a complete change of teaching, from a focus on Latin America to one on international business. The benefit, as for so many business historians who teach in business and management schools, was to make me much more theoretically aware, but also frustrated at the lack of connection between the international business literature and that on business history. The change of direction in my research was to build upon previous grants and new access to corporate archives, in Britain, Argentina, and Brazil, to develop a research project focusing on the experience of British business in Latin America during the twentieth century, especially after World War II. Behind this work is an apparent paradox: successive British governments have voiced concern about the decline of British business interests in Latin America, yet for many leading British multinational firms, including Unilever, Reckitt & Colman, and Glaxo, the region has been an area of fairly well sustained profits and expansion. Some of the results of this research, based on applying international business concepts to the particular cases I was studying, appear in the second paper in this volume.

Throughout this intellectual journey it has been exciting to witness the growth of business history in and about Latin America. With Carlos Dávila I have been closely involved in a growing network of business historians on and from Latin America, including Raúl García Heras, María Inés Barbero, the late Jorge Schvarzer, Andrés Regalsky, Fernando Rocchi, Marcelo Rougier, Andrea Lluch and Norma Lanciotti in Argentina; Mario Cerutti and Carlos Marichal in Mexico; Luis Fernando Molina in Colombia; Javier Vidal Olivares in Spain; Marcelo Bucheli in the United States. I am grateful to all of them for their support, and to other historians in the United States, especially Steven Topik and Gail Triner, for the friendship and their willingness to discuss all sorts of issues through cyberspace or over a beer or two. In Argentina David Parsons has been a good friend, who has been invaluable in providing me with contacts in the British business community and introducing me to the life of the British community in Argentina more generally. My colleagues in the Business History group

at Liverpool, Stephanie Decker, Heinrich Kramarski, Andrew Popp, and John Wilson, have been supportive throughout, as has David Williams, with whom I have taught international business modules for several years. Elsewhere in Britain I have benefited from innumerable stimulating conversations over the years with Colin Lewis and Robert Greenhill. But most of all I should like to thank Carlos Dávila for the invitation to the Cátedra Corona chair at the Universidad de los Andes in 2008, and to María Lorena Gutiérrez and the faculty and staff of the Facultad de Administración for the warmth of their welcome. I can only apologise to them for the delay in completing this volume, and thank them for their patience.

Rory Miller
Chester, England, May 2010.

I. Imperialism, dependency, and business history in Latin America in the late twentieth century¹

Introduction

The intention of this paper is to analyse some of the changes in approach which took place in the study of Latin American business history in the final third of the twentieth century. Its roots lie in two earlier publications, a chapter surveying the historiography of British informal empire undertaken for the *Oxford History of the British Empire*, and the introduction to a volume of collected essays on business history in Latin America². At first sight these two spheres of historical research may not appear to be closely linked, the former being concerned primarily with Latin America's external relationships and the latter much more with its internal economic development. However, the contention here is that for two decades, from the mid-1960s until the mid-1980s, the debates over

¹ This paper concentrates on work published before the turn of the century. On occasion I have added a comment or references in square brackets in the notes, usually to indicate later work on the same theme by the authors mentioned.

² Rory Miller, 'Informal Empire in Latin America', in Robin W. Winks (ed.), *The Oxford History of the British Empire. Vol. V: Historiography* (Oxford, 1999), pp. 437-449; Rory Miller, 'Business History in Latin America: an introduction', in Carlos Dávila and Rory Miller (eds.), *Business History in Latin America: the experience of seven countries* (Liverpool, 1999), pp. 1-16.

imperialism and dependency fundamentally shaped research into business history, not just by foreign scholars but by Latin Americans themselves. Historians worked much more within a framework established by authors like Raúl Scalabrini Ortiz, Hernán Ramírez Necochea, André Gunder Frank, and D.C.M. Platt debating the nature of imperialism and dependency, rather than using the work of economists and business historians like Ronald Coase, Stephen Hymer, Edith Penrose, Alfred Chandler, and Mira Wilkins who focused upon the nature, evolution and management of the firm³. The gap between the concerns of area studies specialists and those of more orthodox business historians was often a difficult one to bridge. Indeed, it is only recently that these differences of approach have really been recognised⁴.

Academic concentration on the questions arising from the literature on imperialism and dependency defined the field of Latin American business history in a number of ways. First, it put the emphasis very much on the activities of foreign firms, a focus that was reinforced by more objective factors such as the preservation of accessible archives and opportunities for research funding. Second, effort was directed towards the export and transport sectors. Historians paid much less attention to domestic banking and finance, agricultural and industrial enterprises producing for the local market, or internal trading and transport networks which were not dominated by foreign companies. Third, Latin American business capacities tended to be devalued or neglected, not only in sectors and regions less involved with foreign trade but also in those areas more closely linked with the global economy. In this the dependency theorists coincided with the modernisation theorists to whom, in other respects, they were diametrically opposed. Fourth, the questions asked by historians and social scientists were essentially concerned with issues of power and bargaining: between foreign firms and Latin American govern-

³ I state this in the full consciousness that my own earlier work on British business in Latin America was framed largely within the former tradition!

⁴ See the opening statement of Mira Wilkins, 'An Alternative Approach', in Steven C. Topik & Allen Wells, *The Second Conquest of Latin America: coffee, henequen and oil during the export boom, 1850-1930* (Austin, 1998), p. 188.

ments, between foreign companies and domestic businessmen, and between both of these groups and their employees. Those working on Latin America in the 1970s and 1980s scarcely discussed the questions about the evolution, organisation, and management of private and public-sector enterprises in Latin America which had become the central concerns of contemporary business historians in North America or Europe, let alone considering earlier ideas about entrepreneurship and economic development suggested by scholars like Joseph Schumpeter or Alexander Gerschenkron. The outcome was an extensive but unbalanced literature.

By the end of the century, however, the direction in which research on business history in Latin America was heading had begun to change. The literature published after the mid-1980s started to alter the parameters of this field of research in a refreshing manner. During this time, also, a shift in economic paradigms occurred equivalent to that which had taken place during the depression of the 1930s. After half a century when the public sector was favoured above private enterprise in much of Latin America, whether because of the latter's excessive exploitation of the state, labour, and consumer, or the supposed lack of ability of local businessmen, the pendulum swung away from state enterprise and back towards foreign investors and local capitalists. This should have provided a stimulus and an opportunity for historians to reassess a number of issues of profound significance for contemporary Latin American development. What lay behind the increasing distrust of state enterprise which became apparent from the mid-1970s: was it the effect of wider changes in global ideologies or were public-sector businesses actually as incompetently and corruptly managed as their critics might suggest? What were the strengths and weaknesses of the private sector as it had developed over 150 or more years in individual Latin American countries? How great a role could it be expected to play under a new economic model and what part should the state play in providing both the institutional structure to support it and the regulatory framework to prevent the exploitation of the consumer? The generally positive reception given to foreign direct investment, moreover, after a generation of mistrust, particularly regarding its role in the exploitation of raw

material resources and the operation of public utilities, raised issues about control, regulation, and exploitation with which historians of the early twentieth century were all too familiar. Questions of power remained significant, therefore, but others concerning the capacities of the local business elite, the appropriate role for the state, the nature of the institutions required both to stimulate and to regulate the private sector, the changing business structures of particular economic activities, and the distinctive features of capitalism in Latin America were also now of enormous contemporary significance⁵.

Business historians began to consider these issues in the final years of the century, but the pace of advance in the field was uneven and many answers remain uncertain⁶. The greatest developments, not surprisingly, occurred in Brazil and Mexico, the largest economies in Latin America. Of the smaller economies the business history literature is much more extensive in Colombia than in countries like Chile and Venezuela, probably because in both of the latter foreign firms and the state dominated the economy for much of the twentieth century, whereas in Colombia the private sector possessed much greater vitality. In Peru initially promising advances that might have made for a balanced appreciation of Peruvian business became dominated by the imperialism and dependency debates. Much the same could be said, perhaps, of Argentina, at least before the end of the century, but since then, under the leadership of a small number of committed business historians, significant advances have taken place and a new generation of scholars has become extremely active, both nationally and internationally.

⁵ [Since the turn of the century, a growing and dynamic debate has arisen in the field of international political economy over 'Varieties of Capitalism', stemming largely from Peter A. Hall & David Soskice (eds.), *Varieties of Capitalism: the institutional sources of comparative advantage* (Oxford, 2001); for a Latin Americanist's contribution, see Ben Ross Schneider, 'Hierarchical Market Economies and Varieties of Capitalism in Latin America', *Journal of Latin American Studies* 41:3 (2009), pp. 553-576. This literature has obvious relevance for those working on business history in particular areas of the world.]

⁶ These comments about the historiography of individual countries are based on the chapters in Dávila and Miller (eds.), *Business History*.

The main part of this paper considers the links between the debates over informal imperialism and dependency and the development of business history in Latin America, taking note of how the impact of ideas of nationalism, structuralism, and dependency influenced not only government policies towards domestic business elites and foreign companies during the 1960s and 1970s, but also the way in which historians and social scientists regarded both the public and private sectors of business. The final section argues that with the decline of dependency theories in the mid-1980s the way was open for a much better balanced approach to the history of business in Latin America, though one that still had its gaps and shortcomings.

A. The debate over imperialism

By around 1960 three currents of thought strongly critical of the activities of foreign businessmen and local elites had begun to coalesce in Latin America. First, nationalist authors such as Raúl Scalabrini Ortiz had argued that firms such as the British-owned railway companies had exploited the host countries⁷. The problems of the British connection had become particularly acute in Argentina as anger mounted against the Roca-Runciman Pact of 1933 and the attitudes of the railway companies during the Depression, but nationalist antagonism towards foreign companies was widespread in other countries too at the same time⁸. Second, Marxist writers like José Carlos Mariátegui and Caio Prâdo Jnr developed an analytically more rigorous but parallel critique of capitalist development in Latin America. For Mariátegui the growth of agrarian capitalism on the Peruvian coast had been shaped by the demands of British and North American businessmen who regarded Peru as 'a storehouse of raw materials

⁷ Raúl Scalabrini Ortiz, *Historia de los ferrocarriles argentinos* (Buenos Aires, 1940).

⁸ For example, the attitude of the Sánchez Cerro government in Peru towards the US-owned Cerro de Pasco Corporation or the British-owned Peruvian Corporation: on Cerro de Pasco Thomas F. O'Brien, *The Revolutionary Mission: American enterprise in Latin America, 1900-1945* (Cambridge, 1996), pp. 139-153; on the Peruvian Corporation *El Comercio* (Lima), 10 September 1932; Peruvian Corporation, Representative's Annual Report for 1933, Peruvian Corporation archive, Lima.

and a customer for their manufactured goods', providing 'credit and transport solely for the products that benefit the great markets'⁹. Third, after the Second World War economists such as Raúl Prebisch began to argue that countries on the periphery of the world economy suffered from their subordination to those at the core. Through the United Nations Economic Commission for Latin America (ECLA in English, CEPAL in Spanish), of which Prebisch was the first secretary-general, these ideas developed into the influential structuralist critique of Latin America's economic development since independence¹⁰. Simultaneously with these intellectual currents across the Atlantic the British debate over informal imperialism was developing as a consequence of John Gallagher and Ronald Robinson's seminal 1953 article on the 'Imperialism of Free Trade', which had placed Britain's political and economic relationship with Latin America during the nineteenth century in the context of its global imperial expansion¹¹. Over the next few years Robinson became increasingly interested in the links between local elites and the British, to the point where, by the end of the 1960s, the concept of the 'collaborating elite' had become central to many imperial historians¹². Such ideas fed neatly into the assumption of Latin American modernisation theorists and nationalist writers that local business elites had been weak and incapable of dynamic leadership, while foreign firms, operating normally with the active support of their home governments, had become increasingly powerful. Richard Graham, for example, saw the British as the prime transmitters of modern business methods

⁹ The quotation is from José Carlos Mariátegui, *Seven Interpretive Essays on Peruvian Reality* (Austin, 1971), p. 70; see also Caio Prádo Jnr, *História econômica do Brasil* (São Paulo, 1945).

¹⁰ For a summary of the development of structuralist ideas, see Cristóbal Kay, *Latin American Theories of Development and Underdevelopment* (London, 1989); Joseph L. Love, 'Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange', *Latin American Research Review* 15: 3 (1980), pp. 45-72; E.V.K. Fitzgerald, 'ECLA and the Formation of Latin American Economic Doctrine', in David Rock (ed.), *Latin America in the 1940s: war and postwar transitions* (Berkeley, 1994), pp. 89-108.

¹¹ J. Gallagher & R.E. Robinson, 'The Imperialism of Free Trade', *Economic History Review* 6:1 (1953), pp. 1-15.

¹² Ronald Robinson, 'Non-European Foundations of European Expansion: sketch for a theory of collaboration', in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism* (London, 1972), pp. 118-140.

and social ideas to nineteenth-century Brazil and the local elite as willing collaborators, explicitly expressing his debt to Gallagher and Robinson¹³.

The almost simultaneous publication of Graham's work on the British role in Brazil and D.C.M. Platt's first book on British government policy in the nineteenth century crystallised the debate over informal imperialism in Latin America. Whereas Graham largely accepted Gallagher and Robinson, Platt attacked their assumptions about the close relationship between British government and business¹⁴. While he framed his critique in terms of their 1953 article, he was strongly aware of the coalescence between their arguments and those of many Latin American Marxist and nationalist writers who were also, albeit rather more implicitly, his targets¹⁵. Drawing his evidence primarily from Foreign Office sources and diplomatic memoirs Platt argued persuasively that the role of the British government in nineteenth-century Latin America should be regarded as largely non-interventionist, and that a considerable gulf existed between the aristocratic world of Whitehall and the commercial worlds of the City of London, the port of Liverpool, and the industrial centres of the North. In support of his case Platt pointed to the British government's reluctance to support holders of government bonds in default and its lack of interest in intervening in Latin America to aid merchant banks during crucial episodes such as the Baring Crisis of 1890 or the Brazilian crisis of 1897. Even amongst more radical British historians these ideas held sway for a long time. Whilst decrying the corrosive impact of British business on the Argentine state, for example, Charles Jones, wrote in 1980 that 'the level of social integration between business and

¹³ Richard Graham, *Britain and the Modernization of Brazil, 1850-1914* (Cambridge, 1968), and 'Sepoys and Imperialists: techniques of British power in nineteenth-century Brazil', *Inter-American Economic Affairs* 23:2 (1969), pp. 23-37 (see especially p. 24).

¹⁴ D.C.M. Platt, *Finance, Trade and Politics in British Foreign Policy, 1815-1914* (Oxford, 1968), and 'The Imperialism of Free Trade: some reservations', *Economic History Review* 21:2 (1968), pp. 296-306.

¹⁵ The latter does not emerge particularly clearly from his early writings, but it certainly lay behind much of his teaching of his special subject on 'Britain, Argentina and Mexico' in Cambridge in 1969-70.

governing elites in Britain was lower than that of any of her new industrial competitors at least until 1914'¹⁶.

The outcome of Platt's revisionism was to strengthen the case for considering the activities of foreign businessmen in Latin America. If the British government could not be described as interventionist, then perhaps one should be talking specifically about business imperialism rather than informal imperialism more generally? In this way the controversy over imperialism fed directly into research on business history, but the effort was largely centred on issues of power. The debate was, in many respects, defined by Platt, whose own background lay in an expatriate business family (his father had been the managing director of Royal Dutch Shell in Argentina before joining the main board). Platt had also just completed a commissioned survey of British business archives concerning Latin America. Even though he had not used them himself, he had a good knowledge of their extent and contents and regarded them as fundamental to an analysis of Britain's role in Latin America¹⁷. Platt stressed the importance of understanding the day-to-day operations of firms and the motives and perceptions of the businessmen who directed them rather than speculating without the benefit of archival research¹⁸. Thus he employed some rather intemperate language to attack Graham's work on Brazil, which was only thinly based on business archives, while praising that of W.M. Mathew on the limitations to the power of British interests in the Peruvian guano trade, which had its

¹⁶ Charles Jones, "'Business Imperialism' and Argentina: a theoretical note', *Journal of Latin American Studies* 12:2 (1980), p. 437. A more recent influential interpretation of British imperialism has drawn a distinction between different spheres of business, coining the term 'gentlemanly capitalism' to describe the mindset of major figures in the City and emphasising their links with the landed aristocracy and government, at the expense of industrialists in the North and Midlands: P.J. Cain and A.G. Hopkins, *British Imperialism: innovation and expansion, 1688-1914* (London, 1993), chap. 1. For their views on Britain's relations with Latin America, see chap. 9.

¹⁷ D.C.M. Platt, 'Business Archives', in Peter Walne (ed.), *A Guide to Manuscript Sources for the History of Latin America and the Caribbean in the British Isles* (London, 1973), pp. 442-513.

¹⁸ D.C.M. Platt, 'Economic Imperialism and the Businessman: Britain and Latin America before 1914', in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism* (London, 1972), p. 310; *Latin America and British Trade, 1806-1914* (London, 1972), p. 309.

roots in a meticulous reading of the correspondence of Antony Gibbs & Sons, the major guano contractors¹⁹. Initially, Platt was not averse to the idea that businessmen might abuse their power, for example in loan negotiations or in communications monopolies like the Santos-São Paulo Railway, but he believed that ultimately the emphasis would be on 'the limitations to the discretion and authority of the foreign entrepreneur [rather] than on the breadth of his "control"'²⁰.

The problem for business history was that research on British business interests in Latin America had now been defined by Platt in terms of power, marginalising other issues like the evolution of company structure and management, inter-company relations, the profitability and performance of British firms (except as a measure of control or exploitation), and the transmission of techniques. The dominance of this agenda is evident in the work of a number of historians based in Britain who used the Gibbs archives: Mathew on the guano trade, Harold Blakemore on Colonel North and the Chilean Civil War of 1891 (which was in many respects a direct response to the Chilean Marxist historian, Hernán Ramírez), Thomas O'Brien on the Antofagasta Company, and John Mayo on the background to the Pacific War²¹. It came to its peak in a collection of essays on business imperialism, largely written by his research students, which Platt edited in 1977.

¹⁹ Review of Richard Graham, *Britain and the Modernization of Brazil*, in *Economic History Review* 24:1 (1971), p. 132; W.M. Mathew, 'The Imperialism of Free Trade: Peru, 1820-1870', *Economic History Review* 21:4 (1968), pp. 562-579. Platt, who had just moved to Cambridge, invited Mathew to give a seminar at the Centre for Latin American Studies there and to contribute to his later book on business imperialism.

²⁰ Platt, 'Economic Imperialism and the Businessman', pp. 296-300 and 308.

²¹ W.M. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly* (London, 1981); Harold Blakemore, *British Nitrates and Chilean Politics, 1886-1896: Balmaceda and North* (London, 1974); Thomas F. O'Brien, 'The Antofagasta Company: a case study of peripheral capitalism', *Hispanic American Historical Review* 60:1 (1980), pp. 1-31; John Mayo, 'Britain and Chile, 1851-1886: anatomy of a relationship', *Journal of Inter-American Studies and World Affairs* 23:1 (1981), pp. 95-120. The Gibbs archives contain the extensive correspondence of probably the most important British merchant house on the west coast of South America from the 1840s to the 1960s. They are located in the Guildhall Library in the City of London.

By then his own position had hardened considerably, and in his introduction he emphasised the constraints to the power of British businessmen whilst accepting that there may have been some long-term disruption to economic and political structures in Latin America as a result of their presence²². Although the essays in this book were dismissed in a curious review by H.S. Ferns, a conservative critic, as a volume on how 'British-owned enterprises... operated in Latin America' and little more than 'radical chic', that was precisely what they were not²³. The dominant motif was the limits to the power and control exercised by British firms. The historians concerned were not following the comparative approaches sketched by business historians in the United States like Alfred Chandler or Mira Wilkins, yet nor were they writing conventional company history. It is indicative of the distortion of the field by the imperialism debate that there were scarcely any monographs concentrating on a single British company in Latin America between the publication of David Joslin's centenary history of the Bank of London and South America in 1963, and the appearance of books on the Antofagasta (Bolivia) and Chili Railway Company and the St John d'El Rey Mining Company in 1989-90²⁴.

This meant that many issues concerning British business in Latin America were ignored. The companies operating in Latin America were not considered within the context of British business organisation and management as a whole until the mid-1980s, when more mainstream business historians developing new conceptual tools drew attention to

²² D.C.M. Platt (ed.), *Business Imperialism, 1840-1930: an inquiry based on the British experience in Latin America* (Oxford, 1977), pp. 1-14.

²³ Review of Platt (ed.), *Business Imperialism, 1840-1930*, in *History* 63:209 (1978), pp. 435-436.

²⁴ David Joslin, *A Century of Banking in Latin America: to commemorate the centenary in 1962 of the Bank of London and South America Ltd.* (London, 1963); Marshall C. Eakin, *British Enterprise in Brazil: the St John d'El Rey Mining Company and the Morro Velho Gold Mine, 1830-1960* (London, 1989); Harold Blakemore, *From the Pacific to La Paz: the Antofagasta (Chili) and Bolivia Railway Company, 1888-1988* (London, 1990). An exception is R.W. Randall, *Real del Monte: a British mining venture in Mexico* (Austin, 1972), and there were of course several articles which could be considered more orthodox company history. Indeed, in 1985 *Business History Review* published a special issue on Latin America in vol. 59, no. 4.

the peculiarities of British investment in the region²⁵. On the other hand the interface between British and Latin American firms was not seen as particularly important except where it concerned issues of bargaining, such as the setting of prices and interest rates, or of displacement, whether of local entrepreneurs, in the case of Brazilian merchants in the coffee trade, or of foreign companies, in the case of the actions taken in some countries against British insurance firms²⁶.

There were other problems too. Under the combined influence of the British debate and the modernisation interpretations which had preceded it, the domestic business elite largely disappeared from the agenda. Hardly anything was written in the 1970s on issues of obvious significance to Latin American development such as the relative roles of British and domestically owned banks and merchant firms in the provision of credit for local entrepreneurs²⁷. The concentration was very much on *British* business. It only became clear rather later that in the case of both merchant houses and merchant banks it was rather anachronistic to see the period before 1914 in such narrow nationalistic terms: for much of the nineteenth century many of these firms were international in composition and focus, and might indeed migrate from one home to another when necessary²⁸. However, at least the controversy over imperialism stimulated the use of business archives and created an outlet for publications in Britain. Research on other European companies in Latin America, in the absence of a similar debate, lagged some way behind the British effort, and it was not until much later that comparable work began to

²⁵ In particular S.D. Chapman, 'British-Based Investment Groups before 1914', *Economic History Review* 38:2 (1985), pp. 230-51; Mira Wilkins, 'The Free-Standing Company: an important type of British foreign direct investment', *Economic History Review* 41:2 (1988), pp. 259-282.

²⁶ See, for example, the essays on merchants and commodity trades in Platt (ed.), *Business Imperialism*.

²⁷ An exception is Carlos Peláez, 'The Establishment of Banking Institutions in a Backward Economy: Brazil, 1800-1851', *Business History Review* 40 (1975), 446-472, which briefly outlines the organisation of commercial banks in Brazil after 1836.

²⁸ Charles Jones, *International Business in the Nineteenth Century: the rise and fall of a cosmopolitan bourgeoisie* (Brighton, 1987); Rory Miller, 'British Investment in Latin America, 1850-1950: a reappraisal', *Itinerario* 19:3 (1995), pp. 30-32.

appear on French and German firms²⁹. In both these countries the discussion of imperialism in Latin America was framed much more within the context of the actions of their governments rather than that of business activity, possibly hindering research on the latter³⁰.

In the case of the United States the emphasis in the literature on nineteenth and twentieth century imperialism is rather different from the British. While it was possible, in the aftermath of Platt's early work, for scholars to distinguish between the activities of British government and those of British firms in the controversy over informal imperialism, such a distinction has much less force in the case of the United States. That is not to say that US firms were always in tune with or supported by their government³¹. Moreover, research on US companies' activities in Latin America developed rather later than in the British case, partly due to problems in gaining access to business archives and also, perhaps, because the diplomatic records and the actions of the US government were much more straightforward areas to study³². Neverthe-

²⁹ Andrés M. Regalsky, 'Foreign Capital, Local Interests, and Railway Development in Argentina: French investments in railways, 1900-1914', *Journal of Latin American Studies* 21:2 (1989), pp. 425-452, and 'Exportaciones de capital hacia los países nuevos: los bancos franceses y las inversiones públicas argentinas', *Revista de Historia Económica* 5:1 (1987), pp. 73-97 [Regalsky has continued to publish extensively on French interests in Argentina, including *Mercados, inversores y elites: las inversiones francesas en la Argentina, 1880-1914* (Buenos Aires, 2002)]. Heraclio Bonilla's use of the Dreyfus archives in *Guano y Burguesía en el Perú* (Lima, 1974), was one of the few examples of French archives being used to study business in Latin America before then. On German firms see George F.W. Young, 'Anglo-German Banking Syndicates and the Issue of South American Government Loans in the Era of High Imperialism, 1885-1914', *Bankhistorisches Archiv* 16 (1990), 3-37, and 'British Overseas Banking in Latin America and the Encroachment of German Competition, 1887-1914', *Albion* 23 (1991), 75-99, as well as the essays in Boris Barth and Jochen Meissner (eds.), *Die deutsch-lateinamerikanischen Wirtschaftsbeziehungen vom Zeitalter des Imperialismus bis zur Weltwirtschaftskrise* (Münster, 1995).

³⁰ See for example, I.L.D. Forbes, 'German Informal Imperialism in South America before 1914', *Economic History Review* 31 (1978), pp. 384-398.

³¹ See, for example, Jeffrey A. Frieden, 'The Economics of Intervention: American overseas investment and underdeveloped areas, 1890-1950', *Comparative Studies in Society and History* 31:1 (1989), pp. 55-80.

³² Warren Dean surveyed US business archives concerning Latin America in the late 1960s but the resources he discovered were nothing like as

less, by the 1980s the volume of work on US business in Latin America began to increase as more companies permitted access to their papers or deposited them in the public domain. The Freedom of Information Act also helped historians by allowing them to by-pass the companies themselves in certain key cases³³. One might note, in passing, that there was also some important work on Canadian business in Latin America in the 1980s that raises some interesting questions about the ways in which Canadian entrepreneurs interacted with both US and British financial markets³⁴.

There are some similarities between the literature on US firms in Latin America and that which developed on the British in the aftermath of the imperialism debate. The former still shows an obsession with issues of power rather than orthodox themes of business history, notwithstanding the efforts of Mira Wilkins at the beginning of the 1970s to place the expansion of US multinationals in Latin America in a global context³⁵. Perhaps this was inevitable in view of the poor reputation of firms like United Fruit or the oil and mining companies, and the fact that, when research on them really commenced, issues like exploitation and nationalisation were often high in the political consciousness of ordinary people in Latin America. However, even the expansion into labour history

extensive as those found by Platt for British firms: see Warren Dean, 'Sources for the Study of Latin American Economic History: the records of North American private enterprise', *Latin American Research Review* 3:3 (1968), pp. 79-86.

³³ Paul Dosal, *Doing Business with the Dictators: A Political History of United Fruit in Guatemala, 1899-1944* (Wilmington, 1993), depends heavily on the papers of the United Fruit Company secured by the US Department of Justice in an anti-trust suit in the 1950s.

³⁴ Christopher Armstrong & H.V. Nelles, 'A Curious Capital Flow: Canadian Investment in Mexico, 1902-1910', *Business History Review* 58:2 (1984), pp. 178-203, and *Southern Exposure: Canadian Promoters in Latin America and the Caribbean, 1896-1930* (Toronto, 1988); Duncan McDowall, *The Light: Brazilian Traction, Light and Power Company Ltd., 1899-1945* (Toronto, 1988).

³⁵ Mira Wilkins, *The Emergence of Multinational Enterprise: American business abroad from the colonial era to 1914* (Cambridge, Mass., 1970), and *The Maturing of Multinational Enterprise: American business abroad from 1914 to 1970* (Cambridge, Mass., 1974). Frieden, 'The Economics of Intervention', connects developments in Latin America with those in East Asia.

was also primarily concerned with issues of power, rather like those scholars who used British archives to look at companies such as the nitrate firms in Chile³⁶.

In both the British and US cases the gap between business history, as a sub-field of mainstream economic history, and Latin American studies, which had expanded as a result of government initiative but tended to attract more radical scholars, was a difficult one to bridge. As in the case of British multinationals like Unilever and ICI, there was an uneasy disjuncture between company histories, which scarcely mentioned Latin America, and the work of area studies specialists who were often more concerned with the local political, social and economic impact of company activities than issues of strategic management³⁷. Mainstream business historians emphasised organisation and management, Latin Americanists emphasised the sources of exploitation and, as labour history grew, resistance. This is not to say that there was not some very good work using business archives within this

³⁶ For example Charles Bergquist, *Labor in Latin America: comparative essays on Chile, Argentina, Venezuela, and Colombia* (Stanford, 1986); see also Manuel A. Fernández, 'British Nitrate Companies and the Emergence of Chile's Proletariat, 1880-1914', in Barry Munslow and Henry Finch (eds.), *Proletarianization in the Third World* (London, 1984), pp. 42-76. The most accessible studies on US companies' relationships with their labour force in Mexico include Jonathan C. Brown, 'Foreign Oil Companies, Oil Workers, and the Mexican Revolutionary State in the 1920s', in Alice Teichova et al.(eds.), *Multinational Enterprise in Historical Perspective* (Cambridge, 1986), pp. 257-269, and 'Foreign and Native-Born Workers in Porfirian Mexico', *American Historical Review* 98:3 (1993), pp. 787-818; Michael J. Gonzales, 'United States Copper Companies, the State and Labour Conflict in Mexico, 1900-1910', *Journal of Latin American Studies* 26:3 (1994), pp. 651-682, and 'US Copper Companies, the Mine Workers' Movement, and the Mexican Revolution, 1910-1920', *Hispanic American Historical Review* 76:3 (1996), pp. 503-534; Lorena M. Parlee, 'The Impact of United States Railroad Unions on Organized Labor and Government Policy in Mexico, 1880-1911', *Hispanic American Historical Review* 64:3 (1984), pp. 443-475.

³⁷ Exceptions are Mira Wilkins, 'Multinational Oil Companies in South America in the 1920s', *Business History Review* 48:3 (1974), pp. 414-446; Jonathan C. Brown, 'Why Foreign Oil Companies Shifted their Production from Mexico to Venezuela during the 1920s', *American Historical Review* 90:2 (1985), pp. 362-385, and 'Jersey Standard and the Politics of Latin American Oil Production, 1911-1930', in John D. Wirth (ed.), *Latin American Oil Companies and the Politics of Energy* (Lincoln, 1985), pp. 1-50; Thomas F. O'Brien, "'Rich Beyond the Dreams of Avarice": the Gu-ggenheims in Chile', *Business History Review* 63:1 (1989), pp. 122-159.

tradition, for example that of Allen Wells on the relationship between International Harvester and local elites in Yucatán or Thomas O'Brien on the response of US firms to labour protest and nationalism³⁸. However, there was very little published on US companies in Latin America which adopted the classic Chandlerian themes of changing business strategy and structure, attempting to investigate why US firms took the decisions to expand at the time and in the form they did, and how they subsequently managed the development of their subsidiaries in the region. There were also very few full-length monographs on US firms in Latin America which reflected a conventional company history approach while exhibiting a sympathy to the particular problems of the region, though Lawrence Clayton's history of W.R. Grace & Co. before 1930 is one exception³⁹.

B. The debate over dependency

It may seem curious to consider the effects of the debate over dependency separately from that over imperialism, since commentators often tie them together, but their impact on business history did differ. Those working within the context of the imperialism controversy were essentially concerned with foreign firms, and their writing would have been little affected if the dependency literature had not appeared. They focused primarily on issues of power and hence on the relations between foreign firms and Latin American governments. Very few historians within this tradition pursued Robinson's concept of the collaborating elite further and asked questions about the evolution of Latin American business leaders and their relationship with the state. This was not the case, however, in the formulations of some of the leading dependency

³⁸ Gilbert M. Joseph & Allen Wells, 'Corporate Control of a Monocrop Economy: International Harvester and Yucatán's henequen industry during the Porfiriato', *Latin American Research Review* 17: 1 (1982), pp. 69-99; Allen Wells, 'All in the Family: railroads and henequen monoculture in Porfirian Yucatán', *Hispanic American Historical Review* 72:2 (1992), pp. 189-209; Thomas F. O'Brien, *The Revolutionary Mission: American Enterprise in Latin America, 1900-1945* (Cambridge, 1996).

³⁹ Lawrence A. Clayton, *Grace: W.R. Grace & Co., the formative years, 1895-1930* (Ottawa IL, 1985). Clayton subsequently took charge of the publication of an older work, written in 1948, which Grace had commissioned but had never allowed to enter the public domain: Marquis James, *Merchant Adventurer: the story of W.R. Grace* (Wilmington DE, 1993).

writers, Fernando Henrique Cardoso and Enzo Faletto in the 1960s and Peter Evans during the following decade, for whom the development of the public and private sectors within Latin America and the interaction between them were of fundamental significance⁴⁰. Cardoso and Faletto distinguished between those countries where foreigners had dominated the export sectors and those where the local bourgeoisie had remained in control. Evans saw the development of Brazilian capitalism in terms of the interaction among foreign business, local entrepreneurs, and the state. If this emphasis on understanding the evolution of Latin American business had been shared by others in the dependency tradition, research might have progressed further. However, it was not. For André Gunder Frank, perhaps the most influential *dependentista* in the English-speaking world in the 1970s, local capitalists had simply caved in before the advance of foreign companies during the nineteenth century⁴¹. For many on the left this idea became a matter of dogma, an attitude reinforced when Platt intervened in this controversy as well, using Frank as a straw man in order to mount a vehement attack on all dependency perspectives⁴². The polarisation between Right and Left that such controversies created has to be understood within the context of the late 1970s and early 1980s, when it was almost impossible to pick up a new work on Latin American history without encountering the word 'dependency'. In fact, there was probably more common ground between Platt and the more sophisticated dependency writers than either he or his left-wing critics would have acknowledged, and some important issues were buried beneath his hyperbole, in particular the continued vitality of local business and domestic markets in large

⁴⁰ Fernando Henrique Cardoso & Enzo Faletto, *Dependency and Development in Latin America* (Berkeley, 1979) – as is well known, this work had originally been published in Spanish in 1969, but was not translated for another ten years; Peter Evans, *Dependent Development: the alliance of multinational, state, and local capital in Brazil* (Princeton, 1979).

⁴¹ André Gunder Frank, *Capitalism and Underdevelopment in Latin America: historical studies of Chile and Brazil* (London, 1972 edition), pp. 42-43 and 319-320.

⁴² D.C.M. Platt, 'Dependency in Nineteenth-Century Latin America: an historian objects', *Latin American Research Review* 15: 1 (1980), pp. 113-130, and 'Dependency and the Historian: further objections', in Christopher Abel & Colin M. Lewis (eds.), *Latin America, Economic Imperialism and the State: the political economy of the external connection from independence to the present* (London, 1985), pp. 29-39.

areas of nineteenth-century Latin America. In the conditions of the early 1980s these points largely fell upon deaf ears.

For business history this was unfortunate, since the effect of the dependency paradigm was eventually to confirm the obsession with power already apparent in the imperialism controversy and further to distort the balance of historical writing. It was Frank's interpretation of the dynamics of local business elites that prevailed, not surprisingly perhaps, since it coincided with the views of the modernisation writers who had already expressed their lack of faith in Latin Americans' entrepreneurial capacity. There were other problems with the dependency approach as well. First, at its most extreme, the anti-business ethos of most dependency writers meant that questions central to business historians were simply ignored: elites and the business enterprises they controlled were seen as unworthy of study. There was a particular dislike for intermediary groups such as traders who were seen as parasitic on producers and consumers alike, adding little or nothing of value to economic activity, but landowners were often also condemned as exploitative rentiers rather than innovative entrepreneurs. Second, the nationalist roots of dependency theories meant that immigrants were often seen as foreigners who exploited Latin American producers rather than important sources of local capitalism and entrepreneurship. Since many immigrants who eventually settled in Latin America began their careers in commerce, an obvious point of entry for a new arrival, these two factors together could result in a wholesale lack of appreciation of immigrant traders and their contribution to Latin American development⁴³. Third, when Marxists influenced by dependency writers did turn to studying local business elites they were often obsessed with debating the existence or not of a 'national bourgeoisie', rather than analysing the evolution of their business ventures in detail⁴⁴. Most writers in this tradition did not

⁴³ An examples of this approach is Ernesto Yepes del Castillo, *Peru, 1820-1920: un siglo de desarrollo capitalista* (Lima, 1972).

⁴⁴ Peru, where the rise of the social sciences coincided with the growth of dependency and the political left in the 1970s, provides one of the best examples: see, for example, William Bollinger, 'The Bourgeois Revolution in Peru: a conception of Peruvian history', *Latin American Perspectives* 4: 3 (1977), 18-56; Manuel Burga & Alberto Flores Galindo, *Apogeo y crisis de la república aristocrática* (Lima, 1979); the continuation of this

seek to gain access to business archives in order to understand the inner workings of the elite's activities. If they did, as in the case of a well-known study of an immigrant merchant house in southern Peru, the preconceptions with which they entered the archives undermined their reading of the records, leading to contradictions and inconsistencies in otherwise informative work⁴⁵. While there was some interesting work on business history in the 1980s which overcame these pitfalls, such as Antonio Mitre's research on Bolivian silver mining magnates, it was not really until the influence of dependency theories began to diminish in the course of that decade that historians were able to take a more objective view of the development of Latin American business elites at the turn of the century⁴⁶.

The example of Peru illustrates how the combination of an open academic climate, the influence of dependency theories upon social scientists, and an expansion of archival resources and publishing outlets could both stimulate and distort business history. The issues of merchants and finance, the crucial intermediaries between domestic and international economies and within the Latin American economies themselves, epitomise some of the problems of research in the mid-1980s across the region. The highpoint of *dependentista* interpretations of merchants in nineteenth-century Latin America

debate is reflected in the title of Felipe Portocarrero Suárez, 'El imperio Prado, 1890-1970: ¿oligarquía o burguesía nacional?', *Apuntes* 19 (1986), 121-146.

⁴⁵ See for example Manuel Burga & Wilson Reátegui, *Lanas y capital mercantil en el sur: la Casa Ricketts, 1895-1935* (Lima, 1981); the review of it by Nils Jacobsen, 'Comercio de lanas, estructura agraria y oligarquía en el sur del Perú', *Allpanchis* 19 (1982), pp. 255-66; and the further comments about it in Rory Miller, 'Business History in Peru', in Dávila & Miller (eds.), *Business History in Latin America*, p. 137.

⁴⁶ Antonio Mitre, *Los patriarcas de la plata: estructura socioeconómica de la minería boliviana en el siglo XIX* (Lima, 1981); Alfonso Quiroz, 'Financial Leadership and the Formation of Peruvian Elite Groups, 1884-1930', *Journal of Latin American Studies* 20:1 (1988), pp. 49-81, *Banqueros en conflicto: estructura financiera y economía peruana, 1884-1930* (Lima, 1989), and *Domestic and Foreign Finance in Modern Peru, 1850-1950: financing visions of development* (Basingstoke, 1993). These two books are based largely on the archives of the defunct Banco del Perú y Londres which, despite its name, was a Peruvian enterprise rather than a foreign firm. Significantly, perhaps, both Mitre and Quiroz did their PhDs abroad, under the supervision of Herbert Klein in Columbia University.

was an overview published by Eugene Ridings in *Latin American Research Review*, which was almost immediately attacked by Platt from an anti-dependency perspective and by Carlos Marichal, a historian based in Mexico who was moving towards a much more nuanced appreciation of the relationship between foreign capitalists and Latin America⁴⁷. Without differentiating between immigrant entrepreneurs, who settled permanently in Latin America, and expatriates, whose aim was eventually to return home, Ridings castigated all foreign merchants as the transmitters of the liberal capitalist values that reinforced Latin America's dependency. The foreign merchants, he argued, crowded out local rivals, influenced governments in favour of free trade and against industrialisation, and introduced business practices that emphasised liquidity rather than long-term investment. Latin Americans, he asserted, 'lacked the capital and business experience that could result in the establishment and native control of banks, insurance companies, factories, and other large-scale enterprise'⁴⁸. The possibility that Latin American landowners might have entrepreneurial talents and organise their enterprises in an efficient and innovatory manner was simply ignored: Ridings assumed that ownership of land was a sign of status rather than business acumen. While the spheres of finance and banking were less researched, as Ridings' dismissal of locally organised banks suggests, similar interpretations prevailed there. Foreign banks were regarded as essentially parasitic institutions exploiting the spread in interest rates between host and home economies, interested in commercial finance rather than investments in agriculture or manufacturing industry, and transmitters of conservative precepts which influenced the local banking community in the

⁴⁷ Ridings, 'Foreign Predominance among Overseas Traders in Nineteenth-Century Latin America', *Latin American Research Review* 20: 2 (1985), pp. 3-28; D.C.M. Platt, 'Wicked Foreign Merchants and Macho Entrepreneurs: shall we grow up now?', *Latin American Research Review* 21: 3 (1986), pp. 151-153; Carlos Marichal, 'Foreign Predominance among Overseas Traders in Nineteenth-Century Latin America: a comment', *Latin American Research Review* 21: 3 (1986), pp. 145-150.

⁴⁸ Ridings, 'Foreign Predominance', p. 4. [Since Ridings published this paper, a much more sophisticated literature on banking in late nineteenth-century Latin America has grown up: see below].

direction of short-term liquidity rather than long-term commitments, and hence hindered development⁴⁹.

However, one significant area of historical research was heavily influenced by dependency theories, yet still shed light on business practice. This was labour history. Again, though, issues of power formed the central focus. From 1977 when the first major English-language survey of Latin American working class history by Hobart Spalding was published, urban and industrial workers were viewed as the primary group which could contest the power of foreign business, given the *vendepatria* nature of local elites and weakness of the state⁵⁰. The fact that by the end of the nineteenth century foreign companies were often the largest employers in many countries and that some of their archives were accessible to researchers meant that their strategies came under close scrutiny, especially in sectors like mining, oil, and railways⁵¹. To a lesser extent, business archives were also used to investigate how their Latin American counterparts controlled their workforces, though here historians tended to pay more attention to landowners than to urban businessmen⁵². Work on labour history using business archives has continued to be a dynamic area of research, expanding both in terms of the time-frame it covers, with some important studies of the post-World War II period in Argentina, and in terms of the techniques historians have employed to read

⁴⁹ See also the quotation from Mariátegui above; although he is less sure of the power of foreign banks in local economies, Charles Jones, 'Commercial Banks and Mortgage Companies', in Platt (ed.), *Business Imperialism*, pp. 17-52, also sees the foreign banks' influence on Latin American practices as rather conservative.

⁵⁰ Hobart Spalding, *Organized Labor in Latin America: historical case studies of workers in dependent societies* (New York, 1977). This was explicitly written from a *dependentista* perspective.

⁵¹ The classic study of labour in the export sectors published in this period is Charles Bergquist, *Labor in Latin America: comparative essays on Chile, Argentina, Venezuela, and Colombia* (Stanford, 1986), which includes chapters on the nitrate workers in Chile, meat packers in Argentina, and oil workers in Venezuela. The literature on Latin American labour is now enormous. For a bibliography and more case studies of foreign companies published at the end of the 1990s, see Jonathan C. Brown (ed.), *Workers' Control in Latin America, 1930-1979* (Chapel Hill, 1997).

⁵² Michael J. Gonzales, *Plantation Agriculture and Social Control in Northern Peru, 1875-1933* (Austin, 1985), which uses the Aspillaga family's archives from the Hacienda Cayaltí.

the primary sources, for example in Thomas Klubock's research on the US copper firms in Chile⁵³. Although the background of those concerned does not lie in mainstream business history, such work is particularly valuable for the insights it offers into foreign managers' attempts to discipline and manage a culturally distinct workforce and has a resonance way beyond the bounds of labour history.

Labour history is the exception, the one area where the adoption of dependency perspectives can really be said to have had an important impact on the development of business history, although even here more conventional discussions of industrial relations at the level of the workplace or the firm are much fewer than analyses of labour protest and the development of unions and political movements at the national level. Moreover, the emphasis still tended to be on foreign firms rather than locally owned companies or state enterprises. An attempt in the mid-1980s to assess business history in Latin America as a whole, in the special issue of *Business History Review* published in 1985, underlines the ways in which the subject had developed under the influence of the imperialism and dependency debates. Both the introductory essay and the papers themselves laid the emphasis very much on foreign companies, yet the authors scarcely drew upon the debates concerning the evolution, structure and management of the multinational enterprise which were beginning to exercise business historians in the developed world. Latin American businessmen were still often considered to have been lacking in entrepreneurial dynamism, and studies of major Latin American enterprises were few and far between. Of the major twentieth-century business groups, for example, there was one book on Matarazzo in Brazil, published in the 1960s, but Jorge Schvarzer's introductory study of Bunge y Born still lay in the future and nothing had been written on other major

⁵³ James P. Brennan, *The Labor Wars in Córdoba, 1955-1976: ideology, work and politics in an Argentine industrial city* (Cambridge, Mass., 1994); Thomas M. Klubock, 'Working Class Masculinity, Middle Class Morality and Labor Politics in the Chilean Copper Mines', *Journal of Social History* 30 (1996), pp. 435-464, and *Contested Communities: class, gender, and politics in Chile's El Teniente copper mine, 1904-1951* (Durham, NC., 1998).

enterprises like the Edwards in Chile⁵⁴. While the literature on Peruvian family groups was better developed, there was still a tendency to consider their supposed political role as exploitative oligarchs dependent on foreign firms rather than dynamic and changing businesses in their own right⁵⁵. With respect to foreign companies, the emphasis still lay more on the export and transport sectors rather than the manufacturing investments, and little real attention was given to the structure, organisation and strategy of multinational enterprise in a historical context⁵⁶. Except for oil, studies of state enterprise were few and far between⁵⁷.

There may be debate over the precise point at which economic historians began to become disillusioned with dependency theories, but by the mid-1980s their influence was certainly in decline, and the way lay open for a change of agenda⁵⁸. As more historians from Latin America studied overseas, especially in the United States, they became exposed to the very different focus of business history there. Most important, though, was the way in which it became evident, on the basis of the local and regional archives discovered and

⁵⁴ José de Souza Martins, *Empresário e empresa na biografia do Conde Matarazzo* (Rio de Janeiro, 1967); Jorge Schvarzer, *Bunge y Born: crecimiento y diversificación de un grupo económico* (Buenos Aires, 1988); see also Raúl Jacob, 'Bunge y Born en Uruguay, 1915-1945', *Ciclos* 5: 1 (1995), pp. 29-54.

⁵⁵ Denis Gilbert, *La oligarquía peruana: historia de tres familias* (Lima, 1982).

⁵⁶ An important exception is Richard Newfarmer (ed.), *Profits, Progress and Poverty: case studies of international industry in Latin America* (Notre Dame IL, 1985), which uses industrial organisation theory to investigate the development of multinational manufacturing firms in particular sectors of the Latin American economies after World War II.

⁵⁷ George Philip, *Oil and Politics in Latin America: nationalist movements and state companies* (Cambridge, 1982); Wirth (ed.), *Latin American Oil Companies and the Politics of Energy*.

⁵⁸ For an influential critique by a leading Latin American historian, see Tulio Halperín Donghi, "'Dependency Theory" and Latin American Historiography', *Latin American Research Review* 17: 1 (1982), 115-130. For a retrospective critique of some of major problems of dependency theories from the perspective of a historical economist, see Stephen Haber, 'Introduction: economic growth and Latin American historiography', in Stephen Haber (ed.), *How Latin America Fell Behind: essays on the economic histories of Brazil and Mexico, 1800-1914* (Stanford, 1997), pp. 7-15.

organised during the 1970s, that both modernisation theorists and *dependentistas* had been wrong to neglect the responsiveness of Latin American entrepreneurs to market forces. This was most obvious, and most studied, in the places where it was impossible to deny the existence of a strong local business elite. The clearest examples were in São Paulo, where the early work of Warren Dean on the linkages between the coffee economy and industrial growth was influential, in the Colombian department of Antioquia, where there was a long-standing debate over the origins of the local elite, and northern Mexico, where the research of historians like Mario Cerutti was of vital significance in reinterpreting established views⁵⁹. Much of this work highlighted the role of local and immigrant merchants, the wealth they were able to accumulate in the nineteenth century from internal commercial networks and external trade, and the uses to which they put their capital. However, it is not just in the most dynamic areas of Latin America that research in notarial and probate records was central to a reappraisal of business strategies in the nineteenth century. One can detect a similar concern with trade, credit and investment in other regions too, for example in the work of Nelson Manrique and José Deustua in central Peru, Susan Berglund in Venezuela, and Erick Langer and Gina Hames on southern Bolivia⁶⁰. In the case of the railways, a classic subject of business history, the emphasis also began to change as the obsession with imperialism and dependency diminished. Despite attempts to formulate a concept of 'railway imperialism', historians began to move away from issues of power to concern with management and engineering

⁵⁹ Colin Lewis, 'Brazilian business history: from the mid-nineteenth century to 1945', Carlos Dávila, 'Business History in Colombia', and Mario Cerutti, 'Regional Studies and Business History in Mexico: a review of the literature since 1975', all in Dávila and Miller (eds.), *Business History in Latin America*.

⁶⁰ Nelson Manrique, *Mercado interno y región: la sierra central, 1820-1930* (Lima, 1987); José Deustua, 'Routes, Roads and Silver Trade in Cerro de Pasco, 1820-1860: the internal market in nineteenth-century Peru', *Hispanic American Historical Review* 74:1 (1994), pp. 1-32; Susan Berglund, 'Mercantile Credit and Financing in Venezuela, 1830-1870', *Journal of Latin American Studies* 17:2 (1985), pp. 371-396; Erick D. Langer and Gina L. Hames, 'Commerce and Credit on the Periphery: tarija merchants', *Hispanic American Historical Review* 74:2 (1994), pp. 285-316; see also David Sowell, 'La Caja de Ahorros de Bogotá, 1846-1865: artisans, credit, development, and savings in early national Colombia', *Hispanic American Historical Review* 73:4 (1993), pp. 615-639.

techniques and to shift their attention from the foreign firms towards local investments and state railways⁶¹.

C. New perspectives at the end of the century

Historians are children of their time, of course, both in terms of the contemporary problems which orientate their research and the historiographical debates which provide them with concepts and methodologies. For this reason it would be unfair to say that business historians from the mid-1960s to the mid-1980s were misled by the debates over power, for that was precisely what appeared to be at the heart of Latin America's development problems at that point. It was hardly surprising not only that most Latin American scholars focused on the nature of imperialism and dependency, but also that their foreign counterparts studying the region did the same. With very few exceptions most British and US scholars of the time were drawn to studying nineteenth and twentieth century Latin America because of their sympathy with the problems of the region; if they had not been, they would have concentrated, like the majority of their contemporaries in graduate school, on studying their own countries. Nevertheless it is clear that a gap did open between business historians working on Latin America and those leading the field in the North Atlantic world which very few crossed⁶².

As the neoliberal paradigm became dominant in Latin America in the early 1990s, it brought the

⁶¹ Rory Miller, 'Transferencia de técnicas: la construcción y administración de ferrocarriles en la costa occidental de Sudamérica', *Siglo XIX: Cuadernos de Historia* 3: 7 (1993), 65-102; Guillermo Guajardo, 'El aprendizaje de la tecnología del ferrocarril en Chile, 1850-1920', *Quipú* 9:1 (1992), pp. 17-46; Robert B. Oppenheimer, 'National Capital and National Development: financing Chile's Central Valley railroads', *Business History Review* 56:1 (1982), pp. 54-75; William Fleming, *Regional Development and Transportation in Argentina: Mendoza and the Gran Oeste Argentino Railroad, 1885-1914* (New York, 1987); Robert H. Mattoon, 'Railroads, Coffee and the Growth of Big Business in São Paulo, Brazil', *Hispanic American Historical Review* 57 (1977), pp. 273-295; Colin M. Lewis, *Public Policy and Private Initiative: railway building in São Paulo, 1860-1889* (London, 1991); Steven C. Topik, *The Political Economy of the Brazilian State, 1889-1930* (Austin, 1987).

⁶² Haber, 'Introduction', pp. 5-7, points to the divergence between economic history as a whole between the United States and Latin America.

Latin American private sector back into the forefront, recast the relationship between Latin American governments and foreign investors, and led to a series of privatisations of public sector enterprises that, it was frequently claimed, were a source of inefficiency and waste. Such changes ought clearly to have led to new research agendas for business historians, and they opened the possibility that business historians of Latin America and the developed world might interact rather more than they had in the 1970s and 1980s. Would it be possible for the discipline to reverse out of the cul-de-sac of the imperialism and dependency debates and focus on different questions and approaches? A number of changes gave the field new dynamism.

First, the influence of the New Institutional Economics associated with Douglass C. North became very evident in economic history in the course of the 1990s⁶³. North forced historians to look at the development of a society's institutions and the ways in which they stimulate or constrain business initiative in order to understand long-run development problems in a comparative context. At the time North's major treatise appeared in 1990, there was already some work by economists and historians on Latin America which might contribute to such a perspective. Argentine scholars had long been involved in international networks comparing their own country's economic history with those of Australia and Canada, and one of the factors which had come to the fore in this discussion was the difference in landholding and legal structures between Argentina and the former British colonies⁶⁴. John Coatsworth had drawn attention to institutional failings in comparing Mexico's nineteenth-century economic performance with that of the United States⁶⁵. In addition there had also been some limited work on capital markets and financial institutions, some from

⁶³ Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge, 1990).

⁶⁴ Donald Denoon, *Settler Capitalism: the dynamics of dependent development in the southern hemisphere* (Oxford, 1983); John Fogarty, Ezequiel Gallo & Hector Diéguez (eds.), *Argentina y Australia* (Buenos Aires, 1979); D.C.M. Platt & Guido di Tella (eds.), *Argentina, Australia and Canada: studies in comparative development, 1870-1965* (New York, 1985).

⁶⁵ John H. Coatsworth, 'Obstacles to Economic Growth in Nineteenth-Century Mexico', *American Historical Review* 83:1 (1978), pp. 80-100; see especially pp. 92-94.

a dependency perspective, which had shed light on some of the difficulties businesses faced in raising capital⁶⁶. During the 1990s economic historians built upon this approach, Stephen Haber, in particular, producing a succession of papers on the evolution of business structures and performance in Mexico and Brazil⁶⁷. It became clear that the history of business in Latin America since the mid-nineteenth century could only be understood in terms of the institutions inherited from the colonial and immediate post-independence periods, the ways in which they were transformed as the connection with the global economy grew more important, the extent to which the state was able to enforce contracts and property rights, and hence the ways in which businessmen attempted both to influence and to defend themselves against the state⁶⁸.

Although relatively little of the work on this theme could be considered as business history in a

⁶⁶ Donna J. Guy, 'Dependency, the Credit Market, and Argentine Industrialization, 1860-1940', *Business History Review* 58:4 (1984), pp. 532-561 ; María Bárbara Levy, *História da Bolsa de Valores do Rio de Janeiro* (Rio de Janeiro, 1977). [There has been some important later work on the financing of industrial growth in Argentina: see Yovanna Pineda, 'Sources of Finance and Reputation: merchant finance groups in Argentine industrialization', *Latin American Research Review* 41:2 (2006), pp. 3-30, and 'Financing Manufacturing Innovation in Argentina', *Business History Review* 83:3 (2009), pp. 539-562].

⁶⁷ Stephen H. Haber, 'Industrial Concentration and the Capital Markets: a comparative study of Brazil, Mexico, and the United States, 1830-1930', *Journal of Economic History* 51 (1991), 559-580, 'Business Enterprise and the Great Depression in Brazil: a study of profits and losses in textile manufacturing', *Business History Review* 66 (1992), 335-363, and 'Financial Markets and Industrial Development: a comparative study of governmental regulation, financial innovation, and industrial structure in Brazil and Mexico, 1840-1930', in Haber (ed.), *How Latin America Fell Behind*, pp. 146-178. See also John Harriss et al. (eds.), *The New Institutional Economics and Third World Development* (London, 1995), which includes several papers on Latin America.

⁶⁸ [This debate has intensified since the turn of the century, and the bibliography is too long to list here in full. See especially Jeffrey L. Bortz & Stephen Haber, *The Mexican Economy, 1870-1930: essays on the economic history of institutions, revolution and growth* (Stanford, 2002), and Stephen Haber, Armando Razo, & Noel Maurer, *The Politics of Property Rights: political stability, credible commitments and economic growth in Mexico, 1876-1929* (Cambridge, 2003); for a critical review of some of the most important literature, see John H. Coatsworth, 'Inequality, Institutions, and Economic Growth in Latin America', *Journal of Latin American Studies* 40:3 (2008), pp. 545-569.]

narrow sense, these considerations about the institutional environment within which both local entrepreneurs and foreign companies operated raise further questions about the ways in which capitalism in Latin America came to differ from other parts of the world and the ways in which businessmen confronted the peculiar conditions of the region. What lies behind the apparent dominance of the family group as the primary form of business organisation rather than the more impersonal public limited company that predominates in the United States or western Europe? On current evidence much of the answer may lie first, in lack of trust in the organs of the state to act neutrally or, to put it in Stephen Haber's words, the fact that property rights became politicised, and second, in the relative failure of financial institutions and markets, which meant that capital had to be raised through informal mechanisms and was limited in quantity⁶⁹. However, only by studying the history of family business groups in Latin America will these questions be properly answered and conclusions reached about the strengths and weaknesses of this model of organisation⁷⁰. This might lead historians on to other issues which have been raised in earlier studies, for example, the 'denationalisation' of key Latin American business groups such as the Patiños or the migrations and investment strategies of groups like Bunge y Born⁷¹. And also within a business history perspective there are questions, as yet largely unasked, let alone answered, about the ways in which family groups based in Latin America adopted new techniques such as advertising, marketing, and financial control, and the difficulties some of them faced in making the transition from family business to a more hierarchical and technically skilled managerial organisation.

⁶⁹ Stephen H. Haber, 'Assessing the Obstacles to Industrialisation: the Mexican economy, 1830-1940', *Journal of Latin American Studies* 24:1 (1992), pp. 6-7.

⁷⁰ For one attempt to consider the growth of such groups, see Diana Balmori and Robert Oppenheimer, 'Family clusters: generational nucleation in nineteenth-century Argentina and Chile', *Comparative Studies in Society and History* 21:2 (1979), pp. 231-261.

⁷¹ Herbert S. Klein, 'The Creation of the Patiño Tin Empire', *Inter-American Economic Affairs* 19: 2 (1965), pp. 3-23; Charles F. Geddes, *Patiño: the tin king* (London, 1992); on Bunge y Born, see Schvarzer, *Bunge y Born*, Jacob, 'Bunge y Born en Uruguay', and Ana Maria Kirschner, 'Multinationale et capitalisme régionale: la conquête d'une position dominante sur le marché du blé au Brésil', *Entreprises et Histoire* 10 (1995), pp. 75-93.

Several important areas of the economy were neglected as a result of the concentration on issues raised by the imperialism and dependency debates. Thankfully, after the mid-1980s there was much more research on local financial institutions, with important studies of domestic commercial banking and capital and credit markets in Mexico, Peru, Argentina, and Brazil⁷². Such studies are fundamental to research on the development of local entrepreneurship and business structure in every Latin American country. However, other sectors of the economy remained relatively neglected. Most historians, understandably, remained antipathetic towards the large landowners who dominated the turn-of-the-century oligarchies, more interested in investigating the maltreatment and exploitation of their workers and peasants than in considering the development of haciendas and plantations as businesses. Yet these issues are important in understanding the knowledge base on which Latin American businessmen developed, their capacity to respond to market change, to innovate in terms of technology or organisation, and to develop technically competent and appropriate management structures for enterprises of their size and type. More recently developed agribusiness aimed at domestic food and commodity markets has also been

⁷² Leonor Ludlow & Carlos Marichal (eds.), *Banca y poder en México (1800-1925)* (Mexico City, 1986); Quiroz, *Domestic and Foreign Finance in Modern Peru*; Andrés Regalsky, 'Banking, Trade, and the Rise of Capitalism in Argentina, 1850-1930', in Alice Teichova et al. (eds.), *Banking, Trade, and Industry: Europe, America, and Asia from the thirteenth to the twentieth century* (Cambridge, 1997), pp. 359-377; Flavio A. Marquês de Saes, *Crédito e bancos no desenvolvimento da economia paulista, 1850-1930* (São Paulo, 1986); Gail Triner, 'The Formation of Modern Brazilian Banking, 1906-1930: opportunities and constraints presented by the public and private sectors', *Journal of Latin American Studies* 28 (1996), 49-74, and *Banking and Economic Development: Brazil, 1889-1930* (New York, 2000); Anne Hanley, 'Business Finance and the São Paulo Bolsa, 1886-1917', in John H. Coatsworth & Alan M. Taylor, *Latin America and the World Economy since 1800* (Harvard, 1998), pp. 115-138. For an overview of the political environment in which banking developed, see Carlos Marichal, 'Nation Building and the Origins of Banking in Latin America, 1850-1930', in Teichova et al. (eds.), *Banking, Trade, and Industry*, pp. 339-357. [Since 2000 publications on banking and finance, especially in Mexico and Brazil, have continued to grow at a high speed. For a survey of the work on Mexico, see Gustavo A. del Angel & Carlos Marichal, 'Poder y crisis: historiografía reciente del crédito y la banca en México, siglos XIX y XX', *Historia Mexicana* 52:3 (2003), pp. 677-724; for a survey of archives, see Carlos Marichal, 'Archival Note: banking history and archives in Latin America', *Business History Review* 82:3 (2008), pp. 585-602.

neglected. Moreover, while much has been published on the growth and problems of manufacturing industries in Latin America, there are relatively few studies which look at the individual firm or compare the experiences of several firms in the same sector. While studies of an individual company largely depend on access to business archives, Stephen Haber showed, in relation to Brazilian textile firms in the Depression, how comparative information about several firms in an industry can be gleaned from official publications, albeit at a substantial cost in time and effort⁷³. Apart from domestically owned manufacturing, other important areas of twentieth-century business remained almost totally neglected, including internal transport (road and air), distribution and retailing.

With the change in paradigm and a general feeling of weariness with the imperialism and dependency debates, research on foreign business also began to undergo a transformation. Perhaps the key development was the reincorporation of research on Latin America into more global discussions. As already noted, theorising about the nature of the international firm in the mid-1980s was one stimulus to this, especially with regard to the peculiarities of British direct investment overseas. Business historians specialising in Latin America were thus drawn into discussions of the institutional mechanisms of British investment, the development of the free-standing company, and the growth of multinational enterprises and international trading companies⁷⁴. However, the influence of broader developments in historical research also made themselves felt, in particular as a result of growing interest in the formation of national identity and cultural conflict and

⁷³ Leandro Gutiérrez & Juan Carlos Korol, 'Historia de empresas y crecimiento industrial en la Argentina: el caso de la Fábrica Argentina de Alpargatas', *Desarrollo Económico* 28: 111 (1988), pp. 401-424; Haber, 'Business Enterprise and the Great Depression'.

⁷⁴ Robert Greenhill, 'Investment Group, Free-Standing Company, or Multinational? Brazilian Warrant, 1909-1952', *Business History* 37:1 (1995), 86-111; Charles Jones, 'Institutional Forms of British Foreign Direct Investment in South America', *Business History* 39: 2 (1997), pp. 21-41; Rory Miller, 'British Free-Standing Companies on the West Coast of South America' in Wilkins & Schröter (eds.), *The Free-Standing Company in the World Economy*, pp. 218-252; Robert Greenhill & Rory Miller, 'British Trading Companies in South America after 1914', in Jones (ed.), *The Multinational Traders*, pp. 102-127.

contestation. As noted earlier in this paper, the role of foreign business in Latin American economies was one of the prime targets of nationalists in the middle of the twentieth century. The adoption of techniques and concepts from other spheres of history as well as the growing availability of corporate archives and the use of unorthodox sources, for example, fiction, permitted historians to deepen discussion of the interaction among labour, nationalists, and foreign managers and companies beyond the original investigations into changes in relative bargaining power over time⁷⁵.

By the end of the century, therefore, business history had begun to move well away from the imperialism and dependency paradigms that had dominated the research in the 1970s and 1980s. Changes in the socio-economic environment as a result of the abrupt change of strategy that marked Latin American economies at the end of the 1980s, as well as in economic and socio-cultural history, were raising questions about all three spheres of business: the Latin American-owned private sector, foreign firms, and the enterprises controlled by the state.

Studies of the domestic private sector were needed to contribute towards the understanding of what appeared to be some of major problems of Latin American development in the long run: the failure of firms to generate sufficient investment finance (or alternatively the propensity of business leaders to consume rather than reinvest); the apparent failure to develop appropriate institutions, capital markets and local banks, to support long-term investment; the reasons for the evolution of oligopolistic business structures, not only in the sectors where multinationals dominated, but in other sectors which local business elites traditionally controlled; the recruitment and performance of management; and the reasons for the growth and decline of family business groups, especially in the periods of crisis that marked many Latin American economies in the final third of the twentieth century when

⁷⁵ For example O'Brien, *The Revolutionary Mission*; Klubock, 'Working Class Masculinity and Middle Class Morality'.

many previously powerful groups had collapsed⁷⁶. Only with such studies could the reasons for the development of a Latin American 'variety of capitalism', its characteristics, and the extent to which there were different national varieties within the region be properly understood⁷⁷.

These problems also underlined the need for research on issues other than power and bargaining when considering foreign companies in Latin America. Here historians might usefully open up discussion of such topics as the recruitment and socialisation of managers, the transfer of management techniques, the strategic decision-making of foreign firms, and the ways in which they evaluated risk and managed crises. If foreign firms had problems in understanding the cultures of their workers, especially in the mid-twentieth century, then a reverse problem is also relevant, namely that governments in Latin America need to understand the cultures and strategies of international companies.

The history of public sector enterprise also required much more analysis. Neoliberals may simply see state companies as incompetently and corruptly managed sinks of money which drained the Treasury and indebted Latin American states. But were they so in practice? While some public sector firms may have been insulated from market forces it is difficult to believe that oil and mining firms were not forced to develop a technically competent and entrepreneurial management, and none of the state banking institutions, whatever their problems, could have operated without a good deal of technical expertise⁷⁸. Thus issues of management training and

⁷⁶ One important early contribution to this literature, by an economist known for his work on Brazil, is Nathaniel Leff, 'Industrial Organization and Entrepreneurship in the Developing Countries: the economic groups', *Economic Development and Cultural Change* 26:4 (1978), pp. 661-676.

⁷⁷ [The question of different national varieties *within* Latin America has arisen partly because of the growth of so-called *multilatinas* (foreign direct investment by Latin American firms within and outside Latin America), in which firms from Mexico, Brazil, and Chile have taken the lead: see Alvaro Cuervo-Cazurra, 'The Multinationalization of Developing Country MNEs: the case of multilatinas', *Journal of International Management* 14:1 (2008), pp. 138-154.]

⁷⁸ [For more recent work on Argentina, see Marcelo Rougier, *Industria, finanzas e instituciones en la Argentina: la experiencia del Banco Nacional del*

performance are also important here, not least because they provide the basis not only for the future development of Latin American business but also the personnel and the knowledge for the promotion and regulation of the private sector by the state.

A particular need which has become more acute is for business historians to move away from the concentration on exports and foreign investment which has marked research on the period between the 1870s and the 1930s, and to pay greater attention to the period of import substitution (ISI), which dominated Latin American economic strategies from the 1930s until the 1980s, and the investment by manufacturing multinationals that resulted, especially with the deepening of industrial growth into consumer durables and intermediate goods after the Second World War. The ISI period is under reconsideration by historical economists looking to reassess what went wrong, especially with the Asian comparison in mind⁷⁹. However, macroeconomic reappraisals are only one part of the story, and they leave open questions about the way in which government policies and local and international crises affected individual firms and their response. A few historians have benefited from the release of the automobile firms' archives, in particular, to reopen research on the government policies and labour conflicts of the 1950s and 1960s⁸⁰. Other multinational companies, though, have also permitted historians to examine

Desarrollo, 1967-1976 (Buenos Aires, 2004), and Claudio Belini & Marcelo Rougier, *El estado empresario en la industria argentina: conformación y crisis* (Buenos Aires, 2008).]

⁷⁹ Victor Bulmer-Thomas, *The Economic History of Latin America since Independence* (Cambridge, 1994), chaps. 9 and 10; Alan M. Taylor, 'On the Costs of Inward-Looking Development: price distortions, growth, and divergence in Latin America', *Journal of Economic History* 58 (1998), 1-28; on Argentina, see Jorge Schvarzer, *La industria que supimos conseguir: una historia politico-social de la industria argentina* (Buenos Aires, 1996).

⁸⁰ Helen Shapiro, 'Determinants of Firm Entry into the Brazilian Automobile Manufacturing Industry, 1956-1968', *Business History Review* 65:4 (1991), pp. 876-947, and *Engines of Growth: the state and transnational auto companies in Brazil* (Cambridge, 1993); Norbert MacDonald, 'Henry J. Kaiser and the Establishment of the Automobile Industry in Argentina', *Business History* 30:3 (1988), pp. 329-345; Brennan, *The Labor Wars in Córdoba*. [On another important industrial firm with interests in the automobile industry in Argentina, see Marcelo Rougier & Jorge Schvarzer, *Las*

archival evidence, raising the prospect that they may start deepening research on the behaviour of these firms in Latin America such as their means of expansion, the financing of their activities, their strategies in particular markets, their links with local businessmen (competitors, customers, suppliers, joint venture partners), and their relationship with host governments. One particular area of interest, which could benefit from contemporary theoretical research in business economics, would be a reassessment of the joint ventures and licensing agreements which were characteristic of much multinational expansion, especially under restrictive government policies towards foreign capital, during the late 1950s and 1960s. At the same time a full picture of the performance and difficulties of Latin American business during the period of ISI will also demand that historians pay some attention to the state sector, in particular to government monopolies like telecommunications and railways which can easily be assumed to have been poorly and ineptly managed, with dire consequences for the Treasury as deficits mounted.

Business historians have a distinct and important perspective on all these issues, one that is different from, and can shed light upon, the arguments of macroeconomic historians or historical economists, and one that also offers a depth in terms of time perspective that specialists in business and management schools often lack in their preoccupation with more recent developments. By the first decade of the new millennium the future seemed much brighter therefore, than appeared to be the case at the time when the imperialism and dependency debates were at their height. The way was open for Latin American business historians to make a substantial contribution not only to discussion of their own region, but to global economic and business history more generally.

grandes empresas no mueren de pie: el (o)caso de SIAM (Buenos Aires, 2006)].



II. Bringing international business concepts into history: The case of British firms and Latin American markets¹

Introduction

In 2006 two senior figures from Harvard Business School, in many ways the intellectual centre of business history in the United States, published a paper in the leading international business (IB) journal arguing for the need for IB specialists to recognise the significance of history in their research. 'Systematic investigation of historical evidence has disappeared from the research agenda of most IB scholars', they commented². Drawing on examples from their own research they went on to argue that a knowledge of business history shed new light on topics of major interest to IB specialists. These included the continuing strength of business groups as a form

¹ Much of this research was financed by grants from Nuffield Foundation (SOC 253(238)) and Economic and Social Research Council (R000223222) in Great Britain. I am grateful for their financial support, and the corporate archivists who provided access to privately held collections, in particular Jeannette Strickland of Unilever and John Booker and Karen Sampson of Lloyds Banking Group.

² Geoffrey Jones & Tarun Khanna, 'Bringing History (back) into International Business', *Journal of International Business Studies* 37:4 (2006), p. 454.

of organisation in many parts of the world; the reasons why firms may select a particular strategy from the multiple possible pathways that they face; the problems of path dependence that might result from earlier strategic choices; the development and reinforcement of corporate cultures; and the social and economic impact of foreign direct investment on host economies. Few IB specialists in business schools analysing such issues, they claimed, used any longitudinal data that covered more than a decade, an illustration of their disregard for history. In the Latin American context Carlos Dávila has made similar comments about the widespread lack of interest in business history in business and management schools throughout the region, despite the fact that international business, like business history, lies at the intersection of many of the same disciplines within the social sciences, in particular economics, sociology, and organisational studies³.

Some might argue that this is hardly surprising, given the relatively recent development of international business as an identifiable field of study and some of its obvious shortcomings: an obsession with business based in the United States and western Europe, and a methodology and style of writing that prioritises hypothesis testing and quantitative methods over the more inductive and complexity-based approach preferred by historians⁴. One particular example of this lack of dialogue in which the Latin American experience might provide significant insights is the rather superficial treatment of distinctive forms of organisation such as family-based business groups by ahistorical specialists in international business; research that has discussed such groups has often exhibited an obsession with Asia and the short term rather than an understanding of long term continuities and change and the role of similar forms of organisation in other parts of the world⁵.

³ Carlos Dávila Ladrón de Guevara, 'La historia empresarial en América Latina', in Carmen Erro (ed.), *Historia empresarial: pasado, presente, y retos del futuro* (Barcelona, 2003), pp. 361-362.

⁴ Jones & Khanna, 'Bringing History (back) into International Business', pp. 454-455.

⁵ See, for example, Mauro F. Guillén, 'Business Groups in Emerging Economies: a resource-based view', *Academy of Management Journal* 43:3 (2000), pp. 362-380.

Historians, however, can hardly complain about marginalisation when the converse is also true: the current theoretical and conceptual concerns of IB specialists rarely, if ever, make their way into the writings of those who study business history in Latin America. The failure to utilise theory has been a recurrent theme in critical surveys of business history in Latin America. As Carlos Dávila has argued, business historians have preferred to build up highly empirical and often extremely descriptive case studies of particular firms or business sectors⁶. And those who have searched for conceptual and theoretical insights to inform their work have often tended to look towards business historians in the United States, in particular Alfred Chandler and his emphasis on the development of managerial capitalism, despite the limitations of his ethnocentric and teleological approach and his obsession with very large firms and corporate structures atypical of those in Latin America⁷. A few have cast their search for theory more widely. In the case of Argentina María Inés Barbero, for example, emphasises the influence of theory, deriving especially from economics and organisational sociology, on some early studies of particular firms and sectors, but laments the lack of contact between business history in Argentina and global trends in the subject⁸. Carlos Marichal emphasises that Chandler is only one of the possible theoretical approaches that business historians in Latin America might use; he goes on to argue that in the context of Mexican business history more might be made of transaction costs economics and new institutional economics⁹.

⁶ Dávila, 'La historia empresarial', p. 373.

⁷ For criticisms of Chandler from within the United States, see Maury Klein, 'Coming Full Circle: the study of big business since 1950', *Enterprise and Society* 2:3 (2001), pp. 425-460; Naomi Lamoreaux, Daniel Raff, & Peter Temin, 'Beyond Markets and Hierarchies: towards a new synthesis of American business history', *American Historical Review* 108:2 (2003), pp. 404-433. For a critical appreciation of Chandler from a British viewpoint, see Barry Supple, 'Scale and Scope: Alfred Chandler and the dynamics of industrial capitalism', *Economic History Review* 44:3 (1991), pp. 500-514. The death of Chandler in 2007 has given rise to a number of reassessments of his work in special issues of journals: see *Business History Review* 82:2 (2008), *Enterprise and Society* 9:4 (2008), *Journal of Management History* 15:3 (2009), *Industrial and Corporate Change* 19:2 (2010).

⁸ María Inés Barbero, 'Treinta años de estudios sobre la historia de empresas en la Argentina', *Ciclos* 5:8 (1995), pp. 179-200.

⁹ Carlos Marichal, 'Avances recientes en la historia de las grandes empresas y su importancia para la historia económica de México', in Carlos Mari-

Barbero has gone on to argue that the prevalence of empirical approaches and case studies in the work undertaken in the late twentieth century and the tendency to neglect Chandler in Latin America may actually be to the long-term benefit of business history in Latin America¹⁰.

In the case of foreign firms operating in Latin America, since the decline of the debates over imperialism and dependency in the 1980s, which occurred in part because empirical historical studies undermined cruder interpretations of control and exploitation, there have really been three areas where theoretical work has informed empirical studies. First, significant advances on Chandler's work on corporate structure and organisational change in international firms came from Stanley Chapman, with his study of investment groups based around nineteenth-century merchant houses, and from Mira Wilkins, who conceived the idea of the free-standing company¹¹. These insights allowed historians to distinguish between the structure and organisation of many British firms in the region and the classic US multinational on which Chandler had focused, although it should be noted that the model of the free-standing company applied also to a number of firms doing business in Latin America from other European countries, Canada, and the United States¹². A second theoretical approach, based particularly around the work of Stephen Haber and his associates, involved analysing the operations of foreign companies operating in the Latin American context through the

chal & Mario Cerutti (eds.), *Historia de las grandes empresas en México, 1850-1930* (México City, 1997), pp. 10 and 28; see also María Eugenia Romero Ibarra, 'La historia empresarial', *Historia mexicana* 52:3 (2003), pp. 805-829.

¹⁰ María Inés Barbero, 'Business History in Latin America: issues and debates', in Franco Amatori and Geoffrey Jones (eds.), *Business History around the World* (Cambridge, 2003), pp. 328-331.

¹¹ Stanley D. Chapman, 'British-Based Investment Groups before 1914', *Economic History Review* 38:2 (1985), pp. 230-251; Mira Wilkins, 'The Free-Standing Company, 1870-1914: an important type of British foreign direct investment', *Economic History Review* 41:2 (1988), pp. 259-282.

¹² Mira Wilkins & Harm Schröter (eds.), *The Free-Standing Company in the World Economy, 1830-1996* (Oxford, 1998); for a considered overview of British investment groups in Latin America, see Charles Jones, 'Institutional Forms of British Direct Investment in South America', *Business History* 39:2 (1997), pp. 21-41.

prism of New Institutional Economics, often with a heavy dose of quantification, an approach to business history commended by Carlos Marichal¹³. The influence of this work has not been wide, however, and it has made little impact on economists or management specialists. An examination of citation indices indicates that Haber's work circulates almost entirely within the Latin American history community; outside this, his work has had greater resonance with specialists in banking and finance than those in the field of international business. Third, the utilisation of the concept of global commodity chains, developed first by world-systems theorists and then by specialists in international political economy (IPE), has provided considerable insights into business history, in particular the role played by intermediaries such as commodity traders¹⁴. However, this literature is likely to be read more by development economists and specialists in IPE than those in the mainstream of IB. Even in studying international firms, therefore, the area where one might expect most convergence between business history and international business, dialogue is limited. To all intents and purposes business historians of Latin America and specialists in international business in management schools inhabit completely different worlds.

This disconnection becomes especially apparent to any Latin American specialist teaching in a business/management school in the developed world. The personal reflections that follow on how the two worlds might be connected arise from changes in my own teaching portfolio as a result of moving into such an environment in 2002. In the context of the (economic) history and area studies departments where I used to teach, the key questions surrounding the development of foreign business in Latin America, reflecting the debates over imperialism and dependency which stimulated much of the empirical research, could be summed up in three

¹³ Marichal, 'Avances recientes', p. 28. Stephen H. Haber, *How Latin America Fell Behind: essays on the economic histories of Brazil and Mexico, 1800-1914* (Stanford, 1997), is probably the most influential collection of essays examining the shortcomings of business in Latin America.

¹⁴ Steven Topik, Carlos Marichal, & Zephyr Frank (eds.), *From Silver to Cocaine: Latin American commodity chains and the building of the world economy, 1500-2000* (Durham NC, 2006).

words: dynamics, power, and impact¹⁵. International business theory, it will be argued here, does address these themes but without the ideological undertones of the earlier debates and in a more structured fashion. In addition, however, the IB literature draws attention to other issues which historians might consider. The next section of this paper outlines some of these, drawing mainly on key textbooks. The core of the paper then considers the development of British firms in Latin America in the middle third of the twentieth century in the light of these questions, focusing on the areas where British business was strongest and expanding most markedly in this period: consumer goods manufacturing industries and financial services¹⁶. It should be emphasised that this is very much work in progress, and the answers are incomplete; the aim is primarily to examine whether the international business literature forces us to ask any new and potentially interesting questions about the development of foreign business in Latin America, and hence to deepen our understanding.

A. International business and foreign firms

International business and management is a relatively new field and one with fuzzy boundaries. Its leading journal (the *Journal of International Business Studies*) was founded only in 1970, long after comparable journals in business history, and it has been heavily influenced by academics based primarily in the United States and, to a lesser extent, western Europe. Nonetheless, it has expanded rapidly alongside the growth in postgraduate management education and the globalisation of the world economy. To some extent the field might be considered to have reached maturity with the publication in 2001 of *The Oxford Handbook of International*

¹⁵ 'Power' relates to the relationship between foreign firms and Latin American governments.

¹⁶ This discussion excludes the older free-standing companies such as the railways and utility enterprises, which were in rapid decline by the time of the Second World War. It also excludes resource-seeking investments such as Royal Dutch-Shell, as well as the capital and intermediate goods firms which tended to arrive in Latin America later. ICI, the chemicals multinational, is an exception to this generalisation, since it had been operating in Latin America since the 1930s, but its archives are no longer available to academic researchers.

Business, some seven years before the equivalent for business history¹⁷. The structure of the *Oxford Handbook* offers an indication of the key areas of the subject: theoretical discussion concerning the reasons for the development of multinational firms and their growth and location, derived principally from microeconomics; the political and policy environment in which they operate; strategy; management; and operations. Whether written for US or European students, IB textbooks tend to follow a similar pattern, considering both the external environment and the internal management of firms operating across borders. The balance between these two areas of the subject varies (meaning that some textbooks tend towards understanding globalisation and the constraints within which international companies operate, while others specialise more in strategy, operations, and international and cross-cultural management), but they all tend to rely heavily on case studies from the developed world, including east Asia, to illustrate the theoretical and conceptual points they are attempting to convey. The analysis here draws on the IB literature to pick out five key issues regarding foreign business in Latin America, but leaves to one side other possible lines of research, including the cultural dimensions of negotiation, bargaining, management, and marketing, as well as the problems that foreign firms in Latin America faced in operating in a very different financial and legal environment, both of which are central to many IB textbooks.

First, *why* do multinational companies expand where they do, when they do? Clearly British manufacturing and financial services firms did not spread evenly, with the same product mix, across Latin America, but prioritised particular markets and products. The starting point for much of this analysis in IB, drawn from the work of Ronald Coase in the 1930s and Stephen Hymer in the 1960s, is the observation that a company incurs increased costs in doing business overseas, in terms of the need to acquire expertise in language and knowledge of different legal and financial systems, the recruitment, transfer and monitoring of staff, and the enforcement

¹⁷ Alan Rugman & Thomas L. Brewer (eds.), *The Oxford Handbook of International Business* (Oxford, 2001); Geoffrey Jones & Jonathan Zeitlin (eds.), *The Oxford Handbook of Business History* (Oxford, 2008).

of contracts. They must possess, therefore, some advantages to offset these additional costs¹⁸. The dominant framework for analysis, though often criticised as more of an explanatory structure than a theory, is the 'eclectic' or OLI paradigm of John Dunning, which emphasises three overlapping sets of advantages: Ownership, Location, and Internalisation¹⁹. Ownership advantages may encompass a firm's technology, brands, or particular management competencies that it has developed. Internalisation advantages raise the issue of why a firm should seek to internalise transactions rather than employing the market, and frequently relate to the power that a company has to codify and enforce contracts, as well as to guarantee access to scarce resources such as finance or management expertise. Locational issues point to reasons why companies should be attracted to particular markets in Latin America compared with alternative investments. This approach also raises questions about the reasons for the concentration of ownership and global expansion in particular industries; to give an example, why should multinational companies have appeared early in some areas of Latin American consumer non-durables industries (such as tobacco, matches, or sewing thread), but not in others (such as brewing, confectionery, or textiles)²⁰.

¹⁸ These points echo Marichal's point about the need to consider institutional factors and transaction costs in analysing the development of business in Mexico: see Marichal, 'Avances recientes', pp. 28-29.

¹⁹ The OLI paradigm has gone through various iterations and refinements: for a recent explanation see John H. Dunning, 'The Eclectic Paradigm as an Envelope for Economic and Business Theories of MNE Activity', *International Business Review* 9:2 (2000), pp. 163-190.

²⁰ It has been suggested that the growth of multinational companies in Latin American manufacturing was highly associated with industrial concentration at a global level: see Richard S. Newfarmer (ed.), *Profits, Progress, and Poverty: case studies of international industries in Latin America* (Notre Dame, 1985). In the context of contemporary Latin America, explanations for the global expansion of particular companies in particular industries at particular times have a clear relevance, given the recent cross-border expansion of manufacturing and services companies originating in the region, such as Cemex, Ambev, América Móvil, or Techint as well as the growth of early multinational companies based in Latin America such as Bunge y Born or Alpargatas. What are the historical roots of the particular corporate advantages of the so-called multilatinas? On their recent growth, see Alvaro Cuervo-Cazurra, 'The Multinationalization of Developing Country MNEs: the case of multilatinas', *Journal of International Management* 14:1 (2008), pp. 138-154.

Second, *how* do multinational firms expand, or what are the modes of organisation that they select to enter overseas markets? Stephen Nicholas made an early attempt, twenty or more years ago, to utilise transaction costs analysis to investigate the shift from the use of agents to the establishment of sales branches by British multinational companies in the interwar period, but did not go beyond this to investigate the reasons for the initiation of manufacturing, either solely or in combination with other firms²¹. Transaction costs analysis drawing on the work of Ronald Coase and Oliver Williamson, which raises the issue of why firms decide to internalise particular transactions and not others, is central to explaining the means by which a firm expands overseas²². It is now conventional in the IB literature to distinguish a number of different modes of entry to foreign markets: exporting, licensing and franchising, joint ventures, mergers and acquisitions of local firms, and greenfield construction, and to associate particular costs, risks and rewards with each. It is also clear that individual firms may select different modes of entry or operation in different national markets. One popular framework is that of Hill et al. (see Figure 1).

Figure 1. The characteristics of different entry modes.

	Control	Resource commitment	Dissemination risk
Licensing	Low	Low	High
Joint ventures	Medium	Medium	Medium
Wholly owned subsidiary	High	High	Low

Source: Charles W.L. Hill, Peter Hwang, & Chan Kim, 'An Eclectic Theory of the Choice of International Entry Modes', *Strategic Management Journal* 11:2 (1990), p. 120.

The choice of entry mode, in Hill's analysis, is conditioned by strategic variables (global competition, the opportunity for economies of scale), environmental variables (country risk, familiarity, the nature of the market),

²¹ Stephen Nicholas, 'Agency Contracts, Institutional Modes, and the Transition to Foreign Direct Investment by British Manufacturing Multinationals before 1939', *Journal of Economic History* 43:3 (1983), pp. 685-696.

²² R.H. Coase, 'The Nature of the Firm', *Economica* 4:16 (1937), pp. 386-405; Oliver E. Williamson, 'The Modern Corporation: origins, evolution, attributes', *Journal of Economic Literature* 19:4 (1981), pp. 1537-1568.

and transaction variables (the value of firm-specific knowledge and the extent to which it is tacit and thus uncodified)²³. These determine the mode of entry that a firm should theoretically prefer in a particular market. A high-technology company, which earns its profits from its know-how, will be reluctant to share that with a licensee, especially if the legal protection for intellectual property and brands is weak, and it will thus prefer to maintain control through a wholly-owned subsidiary²⁴. Licensing, however, is cheaper and less risky, as are joint ventures, which can also bring advantages in terms of the partner's business networks and political connections. Wholly-owned subsidiaries, the most expensive method of expansion, can also be subdivided into those acquired through purchase, from other foreign companies or from local owners, and greenfield construction. Expansion through acquisition, Hill argues, has the advantage of speed, of pre-empting possible competition from rival multinationals, and of being less risky, since the firm being acquired already has market share, revenue streams, and supply and distribution channels²⁵.

Why should this be important to business historians of Latin America, other than the fact that it raises new analytical questions for those studying foreign firms? Clearly choice of market entry mode by a foreign company has implications for domestic business. Exporting consumer goods to Latin American markets often depends on distribution channels controlled by local firms. Licensing manufacturing operations may create possibilities for local firms, not only in distribution but also in the acquisition of technologies and management competencies²⁶. Joint ventures create further such opportunities for local entrepreneurs to acquire expertise.

²³ Hill et al., 'An Eclectic Theory', p. 120.

²⁴ Note, however, that one of the most successful British companies of the late twentieth century, the glass-makers Pilkington, expanded in Latin America on the basis of licensing their innovative float-glass process: see T.C. Barker, 'Pilkington: the reluctant multinational', in Geoffrey Jones (ed.), *British Multinationals: origins, management and performance* (Aldershot, 1986), pp. 184-201.

²⁵ Charles W.L. Hill, *International Business: competing in the global market place* (New York, 2007), pp. 495-499.

²⁶ The textbook case of how this can be turned to advantage is Nissan's acquisition of automotive knowledge as Austin's licensee in Japan.

However, acquisitions remove operations and market share from the control of local businessmen, although they may leave them with cash for reinvestment elsewhere in the economy. And greenfield ventures may establish a competitor to local firms, or may, on the other hand, result in local manufacturing of a new product, providing domestic firms with opportunities in the supply chain or distribution networks. The mode of market entry is thus a crucial element in the interface between locally owned business and foreign firms.

Third, business historians are already accustomed to think about the relationship between strategy and structure from the work of Alfred Chandler, but the work of IB specialists has taken this into much greater depth. Once a subsidiary is established multinational firms face agency and strategic problems: how are the local managers to be monitored, how much autonomy are they to be given, what strategic role are they to play in the firm? One particular distinction in the modern IB literature is between firms whose operations have a global focus, and those which are multi-domestic (in other words catering separately to each individual market). The former tend to be controlled much more tightly from the centre, the latter to provide subsidiaries with more autonomy. In the period under discussion here, when individual national markets in Latin America were sealed from one another by protectionist tariffs, import licences, and exchange controls, and before countries like Brazil and Mexico became significant links in global supply chains, most international consumer goods manufacturers in Latin America operated a multi-domestic structure. However, this still leaves open for empirical analysis the issue of the extent to which the company's headquarters could monitor and control local subsidiaries in the days before electronic communications and air transport, as well as the extent to which subsidiaries were able to make changes to products to cater to the local market, introduce new lines developed locally, and carry out their own strategies in terms of marketing, advertising, and distribution. All of these may help to develop local management, but at the same time the success of the firm in an individual market may also be threatened by the quality of its staff. Getting the management structure right, appointing the

right people, and monitoring them in such a way as to optimise their contribution to the firm is critical to its success.

One common typology which addresses these questions is that of Christopher Bartlett and Sumantra Ghoshal, who related the desired management competencies in a subsidiary and the degree of control/autonomy that its managers experience to the functions that it plays in the company's global operations (see Figure 2).

Figure 2. The competencies of management and the functions of subsidiaries.

		Strategic importance	
		High	Low
Local Competence	High	Strategic Leader	Contributor
	Low	Black Hole	Implementer

Source: Christopher A. Bartlett and Sumantra Ghoshal, 'Tap Your Subsidiaries for Global Reach', *Harvard Business Review* 64:6 (1986), p. 90; this matrix also appeared in the same authors' *Managing Across Borders: The Transnational Solution* (Harvard, 1989).

In the case of British companies manufacturing in Latin America, the nature and size of the local market meant that, unlike their branches in the United States or large western European markets, subsidiaries were unlikely to have any great strategic importance to the firm as a whole, leaving the question of whether managerial competence was such as to make them anything more than implementers of corporate strategy. However, this is not the case with the multinational Bank of London and South America, whose operations were largely confined to the region until the 1960s. While many of the bank's markets were limited, others, in particular Argentina and Brazil, did have strategic importance to the firm as a whole, raising the threat that a 'black hole' of low management competence in a highly significant market might damage it over the long term. A further issue for British and many other foreign firms in Latin America, largely overlooked in the IB literature on management and organisational structures, is the desirability of a regional layer of management that might coordinate at least some operations (product development, staffing, marketing) in separate national markets, which would modify the multi-domestic nature of many of these companies.

Arising from the issues of entry mode and the strategic function of subsidiaries comes a fourth set of questions relating to staffing. Theoretically staffing decisions should flow from the variables that have just been discussed: the nature of a firm's competitive advantages in a particular market, its mode of entry, and its strategic positioning. These factors should determine staffing policies, and in particular the choice between Parent Company Nationals (PCNs), in other words expatriates contracted to work overseas for a specified period of time, and Host Country Nationals (HCNs), who may be recruited locally to management positions in the subsidiary but rarely get promoted beyond it²⁷. The extensive use of PCNs is normally termed an 'ethnocentric' staffing policy, and provides advantages for the parent in overcoming perceived talent shortages, transmitting corporate values, and maintaining control over brands and technologies; however, it is expensive because of the increased costs of employing foreign staff who expect such benefits as supplements to their salaries for working overseas, payment in their own currency, return flights for themselves and their family, housing and educational allowances. Moreover, such managers have little knowledge of local markets, language, and culture when they first arrive, and expatriate assignments are often assumed to have high failure rates. A 'geocentric' policy of employing HCNs is cheaper, but although the managers in such a system may be more in touch with local realities they are not so close to corporate values and strategies. Thus a staffing policy that relies on HCNs may reinforce the isolation of each subsidiary, impede the transmission of profitable innovations, and in the end demoralise a local management with little prospect of promotion. Both strategies involve the parent in agency and monitoring problems.

A fifth set of questions from the IB literature concerns foreign companies' abilities to evaluate and manage risk in the volatile business environments that existed in Latin America after 1930. This has become a significant problem as firms have become more global, and moved away

²⁷ A third category in the literature is the Third Country National (TCN), in other words a senior executive who is not a national either of the home country of the multinational firm or of the host country where the subsidiary is located.

from concentrating their interests in 'safe', culturally similar markets, and it underlines the need for international managers to understand or have access to information that allows them to anticipate and calculate political and economic risks. IB textbooks now routinely include sections on risk evaluation, and large numbers of specialised companies have been founded to provide information, analysis, and protection, whether this be in the form of foreign exchange hedging, public relations campaigns, or the physical security of senior managers.

For companies operating in Latin America before 1930, indeed before the 1970s, there were no such consultancies to help them. Managing risk depended on the ability of managers on the spot and their networks. Traditional resource extraction, railway and utility companies, given their substantial fixed assets, faced a range of political risks. Damage to their property during civil conflict and labour organisation and agitation were the most obvious, but because they were frequently operating under concessions from the state, often written in times of relatively low state capacity, there was also the threat of nationalist political attacks on their operations and on their property²⁸. After 1930, economic risks to a company's operations increased, partly because of the increasing volatility and inflation that marked many Latin American countries in the ISI period, but also because of the use of policy instruments such as import licences, price controls, exchange controls, which were often subject to unexpected short-term changes. This raises the question, then, of how effectively companies that were relatively new to Latin America recognised and managed risk, and whether locally recruited staff might have been more successful in this respect than decision-makers based in the United Kingdom.

Taken together, these interconnected themes in the IB literature raise a number of analytical issues that apply to the experiences of British companies in mid-twentieth century Latin America. To what extent can they help

²⁸ On the ways in which such risks might be managed, see Rory Miller, 'British Investment in Latin America, 1850-1950: a reappraisal', *Itinerario* 19:3 (1995), pp. 38-39.

in deepening the analysis of such firms, and by extension the implications of the changing activities of foreign companies for Latin American business and society? The discussion that follows is based on material in a range of company archives, most importantly the Bank of London and South America, Antony Gibbs & Sons, Unilever, Reckitt & Colman, Glaxo, Wellcome Foundation, and J. & P. Coats, as well as company histories and interviews with senior businessmen in Latin America and the United Kingdom.

B. British firms in Latin America, 1930-1970

In most discussions of British business interests in Latin America after the First World War, the dominant theme is the reduction in British investments in the region that occurred during the inter-war period and after World War II, with the sudden expropriation of Royal Dutch-Shell's production facilities in Mexico in 1938 and then, in the late 1940s, the negotiated nationalisation of the railway and utility companies, especially in Brazil and the River Plate. More obscured is the growth of British manufacturing companies that occurred in the region in response to industrialisation, together with the continuing presence and later reorientation of the Bank of London and South America²⁹. In particular, the growth of British manufacturing firms serving consumer markets in Latin America has been largely overlooked by historians on both sides of the Atlantic. The appendix gives at least a partial picture of their growth before 1960. What can we learn about them by applying the framework of concepts and questions outlined in the previous section?

²⁹ The Bank of London and South America was the subject of one of the first scholarly business histories concerning Latin America, but the book effectively stops with the merger between the Bank of London and South America and the Anglo-South American Bank that occurred in 1936: David Joslin, *A Century of Banking in Latin America: Bank of London and South America Limited, 1862-1962* (London, 1963). Geoffrey Jones, *British Multinational Banking, 1830-1990* (Oxford, 1993), pp. 264-268, briefly considers some of the later history, but he is more concerned with strategic issues in London than the banks' operations in Latin America.

C. The reasons for expansion and the OLI framework

In terms of the location of expansion it is immediately obvious from the appendix at the end of this paper that market size was the principal determining factor, and that this encouraged the establishment of sales subsidiaries relatively early in the history of multinational firms. Argentina, Brazil, and Mexico (before the Revolution of 1910-11) were the largest and fastest growing markets in Latin America, and hence the most attractive for British consumer goods manufacturers. They were further encouraged to invest by the growth of tariff protection³⁰. In the case of Unilever, for example, the need to commence manufacturing or else lose markets to local competitors protected by tariff increases was an explicit part of their reasoning in establishing new factories constructed on greenfield sites in Buenos Aires and São Paulo in 1927 and 1930 respectively³¹. Two other early British multinational firms, J. & P. Coats and British American Tobacco, however, established their first manufacturing operations in Latin America not in Britain's principal export market of Argentina, but in the more industrialised economies of Mexico and Brazil. It was not until after the Second World War that the combination of market size and tariff protection provided an incentive to build factories in economies such as Chile, Peru, Colombia and Venezuela, and when this was done it was in part a defensive reaction against global competitors. Unilever made significant investments in these countries in 1960-61, for example, as a result of Procter & Gamble's growing interests in the same markets³².

The ownership advantages for consumer goods manufacturers in these countries came primarily through branding and reputation, although technology should

³⁰ On protectionism in Latin America, see John H. Coatsworth & Jeffrey Williamson, 'Always Protectionist? Latin American tariffs from Independence to Great Depression', *Journal of Latin American Studies* 36:2 (2004), pp. 205-232.

³¹ 'To delay would be dangerous, not only by reason of the menace of increased duty on soaps, but from the standpoint of a market which is bound to attract serious competition, which at present is not in evidence', a visiting executive wrote in 1925: 'Report on Visit to Buenos Aires of Mr C.E. Tetlow, August-September 1925', Unilever archives, Port Sunlight.

³² Minutes of Directors' Conference, 28 October 1960, Unilever archives.

not be ignored, especially in the case of firms such as Glaxo whose competitive advantages in the post-World War II seem to have arisen mainly from their ability to improve mass production of antibiotics and other ethical pharmaceuticals³³. It was also supposed technological advantages that lay behind the establishment of unsuccessful attempts to manufacture Standard cars in Brazil in 1957, and Austin cars and trucks, under licence, in Colombia and Argentina after 1960. Internalisation advantages can also be identified both horizontally and vertically. Once established, companies were well placed to take advantage of economies of scope by expanding manufacture into other products that would benefit from the use of existing channels of distribution. It is clear from the Unilever archives that the firm continually expanded its product range in Argentina and Brazil, especially after the Second World War, since the marginal cost of distributing a new product, if not of launching it, was relatively insignificant. Several companies also internalised distribution, taking it out of the hands of merchant agencies that offered them a poor service³⁴. Unilever in Argentina, in keeping with its strategies elsewhere, also brought the development of advertising campaigns within the firm rather than outsourcing it, following poor experiences with international firms such as J. Walter Thompson. A further set of advantages that the manufacturing firms might develop through internalisation were financial. Unless they were making substantial new investments, these companies were often reluctant to import new capital into Latin American countries subject to increasing inflation and controls on remittances, but when they did so they were normally able to finance this internally, in some cases by-passing British exchange controls as well³⁵.

³³ R.P.T. Davenport-Hines & Judy Slinn, *Glaxo: a History to 1962* (Cambridge, 1992).

³⁴ This is in line with the argument in Nicholas, 'Agency Contracts'.

³⁵ As an Anglo-Dutch firm Unilever had the flexibility to finance investment from the Netherlands rather than Great Britain. The US branches of British firms may also have become a source of new investment for British firms in Latin America, but the evidence for this scanty.

D. Modes of entry

Initially the normal mode of entry for British consumer goods firms in Latin America was either construction of a factory on a greenfield site or acquisition of a local company. In theoretical terms this is surprising, given the commitment and resources involved, since these were firms that were principally exploiting brands rather than technological processes internal to the firm. Much of their basic technology was available internationally, and in such a high-risk environment where they had relatively little market knowledge one would have expected them to make more use of contractual forms of market entry such as licensing or joint ventures. However, there are a number of possible explanations for their initial preference for high-risk high-commitment entry modes, which implied additional costs in management and coordination requirements: their market strategy, and in particular their desire to control a large share of the quality end of the market, where they expected higher profits and rapidly increasing sales given the economic growth that was occurring; their desire to differentiate themselves from local competitors by offering quality to increasingly sophisticated consumers; the need to protect their brands in an uncertain legal environment, or in other words the difficulties of enforcing contracts; and the initially limited availability of local partners or managers.

The case of Unilever's early expansion is illustrative. They entered Argentina and Brazil primarily to manufacture branded soap products; the artificial detergents and foodstuffs for which the company is now largely known came later. Raw materials for soap manufacture were readily available, the technology was straightforward, and there were already several local brands on the market, though none of the quality that Levers hoped to supply. Their initial reading of the market in Brazil in the mid-1920s is worth quoting:

The youth of Brazil, of both sexes, to-day are athletic, and live wholesomer lives [sic] than their forebears. They see our English and American Lifebuoy advertisements, and wonder why they cannot buy it in Brazil, but at 3/6d. an 8-oz tablet it is very dear...

Lux [soap flakes] also has a virgin field and the thousands of Brazilian women who visit Europe and America each year, and to whom intimate and other dainty clothes are a cared-for luxury, would welcome the advent of Lux at a reasonable price.

One or two lines of well-advertised toilet soaps would also create a vogue, and women love a vogue, and nothing I have seen in Brazil of local manufacture would prove a serious competitor³⁶.

The strategic solution to these market possibilities was to manufacture directly, in the expectation that it would take roughly five years to build up the market to a sufficient extent to cover the firm's overhead costs and make profits. Both advertising and distribution were initially outsourced, but by the mid-1930s these had been brought back under control of the Brazilian management because of the unsatisfactory performance of the foreign companies employed for that purpose³⁷. Unilever in Brazil (and Argentina) thus became a classic example of a subsidiary built on a greenfield site, locally managed with functional departments within the subsidiary, and communications with the parent channelled through the local managing director, who was, initially, an expatriate.

Having said that, the key to Unilever's eventually successful and profitable history in Brazil was not so much the success of the 'greenfield' operations established in the 1930s, which needed almost continual refinancing, but the acquisition of a local competitor, Gessy, for £7,000,000 in 1960. The explanation for the acquisition offered in the minutes of Unilever's strategy committee provides a strong indication of the time horizon over which Unilever worked, the significance of global competition in the firm's strategy, and the company's own evaluation of its ownership and internalisation advantages:

³⁶ 'Report on Visit to Brazil of Mr C.E. Tatlow, September - October 1925', Unilever archives. Lifebuoy was a carbolic toilet soap; Lux soap flakes were used for washing delicate clothing, especially lingerie, by hand; Unilever's main toilet soap at this time was also called Lux, but because of trademark problems it was marketed in Brazil as Sabonete Lever.

³⁷ 'Mr Sidney van den Bergh's Report on his Visit to Brazil, February 1933', Unilever archives; 'Report on Visit to Brazil by Mr C.E. Tatlow, 7th/13th November 1937', Unilever archives.

We would not be buying a business which would give a standard Unilever return on the basis of his present performance, nor in order to prevent it falling into the hands of Proctor & Gamble; it was, however, believed that in some three years, allowing for continuing inflation in Brazil at a rate of about 20% per annum we would, by the application of Unilever techniques and marketing skills, be able to upgrade the business to an acceptable standard of profitability. Although our own business was soundly based, it was not expected in the present conditions in Brazil to be making much profit for some years, but on balance it was felt that in the long term the combined businesses should be a worthwhile investment³⁸.

At the time each of the two companies controlled about 25-30 per cent of the Brazilian market for soaps and detergents. Gessy Lever subsequently became one of the more profitable Unilever subsidiaries outside North America and western Europe³⁹.

While Unilever had not really used an acquisitions strategy in Latin America up to this point, in other low-technology industries acquisition became a frequent means of expansion as local entrepreneurs competing with multinationals attempted to cash in earlier investments by offering the companies they had established to the foreign firms. In the case of J. & P. Coats for example, their Mexican thread business had originally been established on the basis of an acquisition, although manufacturing in Brazil was undertaken on a greenfield site⁴⁰. Subsequently, Coats's strategy was to look closely at any competitors that were offered to them, and if necessary purchase them, either to eliminate excess capacity or to develop them as a nominal but concealed competitor to their own market position. In Brazil, in particular, this meant treading carefully as they had been discovered, in the late 1920s, to have purchased a competitor's machinery and dum-

³⁸ Minutes of Directors' Conference, 17 June 1960, Unilever archive.

³⁹ Geoffrey Jones, *Renewing Unilever: Transformation and Tradition* (Oxford, 2005), pp. 175-179.

⁴⁰ David Keir, 'History of J. & P. Coats', unpublished manuscript in Scottish Business History Archive, University of Glasgow.

ped it in a river⁴¹. Nonetheless, internal minutes are explicit about their strategy: 'It has been our endeavour to bring our chief competitors to a position where they would approach us with offers of sale', it was reported in 1938⁴². Reckitt & Colman, whose primary manufacturing interests at this time lay primarily in polishes, cleaners, and laundry additives such as starch and blue, followed similar strategies, purchasing competitors, taking their machinery out of production, and extracting from them a guarantee not to re-enter the business for a set period of time⁴³. Like Coats, they used multiple brands to preserve the appearance of competition in the market.

The fact that acquisition at least became a possibility illustrates, however, the growing capacity of local business, and after World War II licensing arrangements and joint ventures with local entrepreneurs became a favoured method for British firms to expand in certain markets. The advantages of such arrangements at a time when economic uncertainty was increasing lay in the usefulness of the partner in providing access to decision-makers, sources of finance (particularly important in terms of reducing British firms' exposure to foreign exchange risk), and distribution channels. Thus Unilever initially expanded in Peru, a small market but one with a growing base of consumers, on the basis of a licensing arrangement with the Ferreyros group, which controlled the Pacocha soap and detergent factory and its own distribution channels⁴⁴. This agreement simply involved the supply of technical assistance and use of Lever soap and detergent brands by Pacocha; during the 1950s it was extended into toothpaste and margarine, all achieved without any capital investment on the part of Unilever. By 1960, however, with a growing threat from Proctor & Gamble evident in Peru, Unilever decided that they

⁴¹ Stanley H. Stein, *The Brazilian Cotton Manufacture: Textile Enterprise in an Underdeveloped Area, 1850-1950* (Cambridge MA, 1957), p. 145.

⁴² Minutes of Brazil and Portugal Committee (Selling), 23 February 1938, Coats archive, University of Glasgow.

⁴³ Atlantis Ltd., Minutes of Managers' Meetings, 14 January 1937, Reckitt Benckiser archive, Hull.

⁴⁴ This history is based on details in the Directors' and Overseas Committee minutes in the Unilever archives.

needed to put in additional investment and management expertise, and negotiated a 50/50 joint venture with Ferreyros.

The subsequent history showed some of the problems of such strategies. Two years later Ferreyros urged that Pacocha Lever should diversify into fishmeal, a sector which was then undergoing enormous expansion in Peru⁴⁵. Unilever opposed the move, however, and the joint venture ended with Unilever buying out the Ferreyros share of Pacocha in order to provide the latter with the capital they required for the fishmeal industry. However, the complex nature of Ferreyros's business partnerships continued to handicap Unilever, since Bunge y Born, the international commodity trader, remained a minority shareholder in Pacocha Lever and was critical for the supply of oilseeds. Then came the Peruvian military coup of 1968; by the early 1970s, having lost ground in detergents to Proctor & Gamble, Unilever were looking to extract themselves from Peru if they possibly could. Their difficulties there and in Chile were neatly summed up by a senior executive in 1964:

The breakdown of the partnership in Lever Pacocha and our experiences in the past with the partners in Chile had led Mr Klijnstra to certain conclusions on the subject of joint ventures. The term itself was popular in countries such as these [Peru and Chile], as gratifying national feeling and bringing foreign skills together with local resources. Also, there was advantage in having local partners of influence and standing, although our experience had in many cases been that the benefit from this was not as great as expected. As against this there was the major disadvantage of the completely different concept of the aims of partnership. As a general rule our partners want and need steady income out of their investment. Their interest is in dividends and not profits if these are ploughed back, and they are less concerned with growth and improved market share than in increased dividends, or at least steady income. Launching new products with advertising investment resulting in losses for a period of years did not appeal to them: they had to think short term as so much of their money was tied up in the venture and they usually had to rely for their income on the dividends. It was clear that they expected a very high performance in skills from us, and Mr Klijnstra was convinced

⁴⁵ See Michael Roemer, *Fishing for Growth: export-led development in Peru, 1950-1967* (Cambridge MA, 1970).

that where we had partners we must put in our best people, realise the difference in outlook, and adapt ourselves to it⁴⁶.

This example pinpoints a number of issues: the importance of selecting the correct entry strategy; the differences of business culture and time horizons between large multinationals and Latin American entrepreneurs and business groups; the importance of being able to assess economic and political risks accurately; and the problems that multinational manufacturing companies faced in management and staffing assignments.

Yet in the post-war period joint ventures perhaps had more chance of success than stepping straight into manufacturing by establishing a factory in a market where the firm had little experience. Acquisitions could also buy that precious local experience. Geoffrey Jones ascribes part of the reason for the success of Unilever in Brazil to the management talent that they acquired from Gessy, a fact that had become clear in the very early days after the merger of the two companies' businesses⁴⁷. Two examples from Brazil in the late 1950s show the perils of greenfield expansion in conditions of economic uncertainty. Glaxo's local manager in South America, based in Buenos Aires, had advised the company to establish a secondary manufacture and packing plant for its milk and vitamin products in Brazil in 1933, but it was only in 1954, under pressure from the failure to secure foreign exchange to pay for imported pharmaceuticals and other products, that it was decided to manufacture in Brazil at a redundant factory in Niteroi, across the bay from Rio de Janeiro, purchased from ICI.⁴⁸ The venture was a disaster due to intense competition, a poor product range, an inadequate marketing and sales strategy, and problems within the senior management team. A

⁴⁶ Minutes of Directors' Committee, 14 February 1964, Unilever archive.

⁴⁷ Jones, *Renewing Unilever*, p. 175; an assessment of Gessy's senior managers, indicating surprise at their high quality, appears in Minutes of Special Committee meeting with Overseas Committee and Mr C.J. van den Bergh, 8 March 1961, Unilever archive.

⁴⁸ Davenport-Hines & Slinn, *Glaxo*, pp. 104-105 and 267-269. The discussion of this case here is based on internal papers in the Glaxo archive in London, which is no longer accessible to historians. The papers were consulted in autumn 2001.

new managing director brought in from South Africa in 1959 to turn the operation round ended up three years later making the drastic suggestion that the company should put its manufacturing, marketing and distribution in the hands of its agents, who were also acting for other pharmaceutical firms. While this saved costs in the medium term, it involved an immediate large compensation payment to dismissed staff, and meant that Glaxo slipped further behind its competitors during the 1960s. In 1969, when the country's economy was growing rapidly again, the firm decided it had to go back into Brazil, and it constructed a new factory in São Paulo.

While Glaxo, despite problems such as this, has been one of the major success stories in British business since the 1950s, the motor industry has been one of the disasters. In the case of Brazil the attempts of Standard Motors (later part of British Leyland) to manufacture there epitomise some of the problems⁴⁹. Standard first began to consider assembling cars in Brazil in 1951-52, but did not go ahead as the country ran into increasing financial difficulties, in particular in supplying foreign exchange for imports from Britain⁵⁰. By 1955, with the prospect that the Brazilian government would shortly introduce controls on motor imports and select firms to participate in the expansion of the domestic motor industry, Standard decided to move quickly and establish a components plant with the intention of gaining experience and adding assembly facilities at a later date in line with the likely government requirements for companies to produce vehicles with a high local content. The venture was a disaster, and no complete vehicles were ever produced, although the factory did produce specialised components for other manufacturers. In the end Standard invested over £500,000 with little return. Managing directors came and went, with at least one being accused of embezzlement; there were overruns in construction costs for

⁴⁹ This case is based on files in the Modern Record Centre, University of Warwick.

⁵⁰ This was the same problem that had affected Glaxo. Shortages of sterling were the most critical issue in Anglo-Brazilian commercial relations in the 1950s, a fact which is reflected in the papers both of the British government and the British Chambers of Commerce in Rio de Janeiro and São Paulo. This will be the subject of a future paper.

the plant; and once it was completed the parts produced were of poor quality and highly priced against the competition. After ten years, by which time Standard had itself been absorbed by British Motor Corporation, the factory was sold.

Taking these cases together one might suggest that, at least in theoretical terms, British firms beginning to manufacture in Latin America made some serious strategic errors in terms of mode of entry, often selecting policies and partners which turned out to be mistakes. They also made errors over what they internalised and what they outsourced. This discussion thus raises questions about the quality, organisation and monitoring of management, and about British firms' capacity to manage and evaluate risk.

E. Management structures and monitoring

Most British manufacturing firms with branches in Latin America, given the barriers between markets and the impossibility of exporting efficiently from one country to a neighbouring one, were organised along multi-domestic lines, with separate national managements in each country, normally headed by a General Manager or Managing Director. Moreover, most of these subsidiaries did not have a high strategic importance within the firm as a whole, and thus lie either in the Implementer or Contributor quadrants in the Bartlett/Ghoshal matrix shown in Figure 2. Like the manufacturing firms, the Bank of London and South America was also organised on multi-domestic lines with separate national managements although, in the case of this firm, its branches in Argentina and Brazil, in particular, were critical to its strategy and performance, especially before the development of its international operations and corporate networks in London from the early 1960s under the chairmanship of Sir George Bolton⁵¹.

However, the fact that the normal corporate structure was one of national subsidiaries, with little interconnection between strategies in individual countries,

⁵¹ On the changing strategy of BOLSA after the appointment of Bolton, see Jones, *British Multinational Banking*, pp. 264-268.

leaves open a number of issues. First, did any branches manage to move from 'Implementer' to 'Contributor' status? Second, were there any cases where a branch did have a high strategic importance but ineffective management, thus falling into the 'Black Hole' sector of the Bartlett/Ghoshal matrix? Third, how did firms resolve agency and coordination problems, especially before the advent of telecommunications satellites and cheap international air travel? Fourth, how do the various attempts at implementing a regional layer of management fit into standard models? Evidence to answer these questions is patchy, given the very different nature of each company's archives, but some suggestions can be made.

For the branch of an international manufacturing firm to move to 'Contributor' status one would expect it to move beyond the local adaptation of products and techniques to developing innovations that might be adopted elsewhere in the company's operations. From the evidence of the business archives consulted the branch that came nearest to this was Unilever's operations in Argentina, although the critical innovations that occurred here were adopted more at the prompting of visiting directors bringing their international experience to bear on local problems than on the initiative of local management. There are two areas that are worth discussing in this context: product development and sales organisation. Unilever in Argentina successfully introduced two products in the 1930s that were not manufactured elsewhere in the organisation: Sunlight Toilet Soap (a milled and hence finer version of Sunlight laundry soap, which became known as *jabón ingles*), and Olavina, a cooking oil. The initiative in the former came from a visiting director, drawing on the firm's experience with another soap, Lifebuoy, in the United States and Canada, and as soon as it was launched in 1936 it became an 'outstanding success'⁵². In the case of Olavina, which was introduced successfully in 1939 but which eventually became unprofitable due to government price controls, the initiative again came from visiting directors, and the local organisation was not capable of developing the economical recipe required

⁵² Mr Sidney van den Bergh's Report on his Visit to the Argentine, February 1933; Report of Mr G.A.S. Nairn on his Visit to the Argentine Republic, January 1939, Unilever archive.

for Argentina tastes. Laurence Heyworth, a director visiting in 1935 when the proposal was being discussed, put his finger on the strengths and weaknesses of Levers' local management:

What the Argentines and immigrant Italian want is a green coloured oil with the real olive oil flavour. The colour should not be a difficult matter but the production of the olive oil taste is a difficult technical problem which cannot be solved locally... I do not see any great difficulty about marketing provided we have the right article: the selling organisation should be capable of handling a high class proprietary oil. None of the other producers are really experienced advertisers: we should be able to dominate the situation⁵³.

And it was precisely in marketing, advertising and sales where local management was able to develop most autonomously. Olavina was marketed through imaginative radio campaigns led by the local management, and sold through a dedicated sales force. Indeed, one visiting director commended what the local management had done: 'I was very favourably impressed by the selling organization in general and consider that the system used by this Company would be of great interest to the Concern as a whole', Arthur Hartog commented in 1941⁵⁴. Laurence Heyworth, a director with wide global experience, commented the following year: 'Our sales organization in the Argentine... is one of the most efficient and interesting we have anywhere in the world'⁵⁵. By then the Argentine model of sales organisation was already being introduced to Unilever's Brazilian subsidiary, and executives from São Paulo were sent to Buenos Aires to learn from experience there⁵⁶.

⁵³ Mr J.L. Heyworth's Visit to the Argentine, March-April 1935, Unilever archive.

⁵⁴ Report of Mr Arthur Hartog on his Visit to the Argentine, 25th June to 25th July 1941, Unilever archive.

⁵⁵ Mr J.L. Heyworth's and Mr E. Quin's Report on Visit to Argentine, March 1942, Unilever archive.

⁵⁶ Mr W.P. Scott's Report on Visit to Brazil, December 1939-January 1940; Report on Mr Arthur Hartog's Visit to S.A.I. Irmãos Lever, Brazil, July 1943, Unilever archive.

Unilever directors persistently contrasted the quality of management in Argentina with that in Brazil, at times unfairly since the Brazilian staff were operating under much greater difficulties: a late start, causing the firm to commence business in the depths of depression in 1930-31, a poorly integrated national market, and intense competition from a well organised local company. Nonetheless, two points are clear from the company's archives. First, little attempt was made to improve matters in the 1930s and 1940s. Although the Managing Director, even at the time he was appointed, was criticised as being inclined to sit in the office too much, to be afraid of taking responsibility, and to lack experience in marketing proprietary brands, he was left in post until 1946, by which time the problems of organisation and lack of initiative in Brazil had become acute⁵⁷. As the post-war growth of Brazil (and contemporary problems in Argentina and elsewhere) raised the strategic importance of Unilever's subsidiary there, the problems of management competence became ever more acute and directors' visits to solve problems more frequent. 'It was clear that the co-operation between the top management necessary for the proper conduct of the business did not exist', the company's Special Committee minuted in 1955⁵⁸. The mismatch between management competence and strategic importance became such that a senior director was sent to Brazil as chairman in 1957; he reported to the board the following year that 'the company [was] adequately staffed for the holding operation which had been in process for some time, but not designed to carry the burdens of increasing trade and building up for the future'⁵⁹. Given that Unilever had viewed Brazil as a more promising long-term market than Argentina for almost a decade, this was in fact a serious indictment of its actions.

Similar problems arose in the Bank of London and South America in the 1950s, but they were more

⁵⁷ Mr Sidney van den Bergh's Report on his Visit to Brazil, February 1933; Mr G.A.S. Nairn's Report on his Visit to Brazil, January/February 1939; Report of Mr Arthur Hartog on his Visit to Brazil (Levers and Atkinsons), 28th July to 14th August 1941.

⁵⁸ Minutes of Meetings between Special Committee and Overseas Committee, 1955-1960, Minute of 13 July 1955, Unilever archive.

⁵⁹ Minutes of Special Committee, meeting with Overseas Committee and Mr Clive van den Bergh, 21 November 1958, Unilever archive.

serious there for two reasons: the dilemma that the bank faced in determining whether to allocate scarce talent to expanding new markets in northern South America or to holding operations in difficult political and economic conditions further south, particularly in Argentina and Chile; and the fact that Argentina and Brazil, especially, were much more crucial to the firm's future than these countries were to Unilever. Again, there was a mismatch between management attitudes and commercial opportunities. The local management of the bank was still deeply scarred by the experiences of the early 1930s, when bad debts had almost overwhelmed its operations, by the loss of its profitable foreign exchange business as central banks took control of such transactions, and then by the loss of deposits arising from the nationalisation of major British companies in the post-war era⁶⁰. 'The quality of our Managers in Brazil is below average', one director explained in 1950 with regard to the bank's loss of market share compared with rival foreign banks since 1946. His explanation lay in the fact that much of the senior Brazilian management had been promoted from within, insulating them from trends elsewhere, and he ascribed this in part to the difficulties that others faced in learning Portuguese⁶¹. However, in the eyes of the Bank of England and government officials concerned with Britain's overall standing in South America, the problems with BOLSA went much deeper than Brazil. A major report for the Bank of England, written in 1956 following a six-month tour of South America, criticised BOLSA for conservative and unimaginative policies emanating from London, a board which lacked experience in Latin America, the poor quality of branch managers, the unwillingness of London to allow country management to act with some autonomy, and an unmodernised and poorly located branch network⁶². It was this situation that formed the

⁶⁰ Not only did the Anglo-South American Bank effectively fail in 1931, but BOLSA's own business also faced serious problems. On this, see the report undertaken by two senior Lloyds Bank officials in 1932: Bank of London and South America Ltd: Some Notes and Suggestions arising out of the Visit of Sir Alexander R. Murray and Mr F.A. Beane to South America, January-May 1933, file 9573, Lloyds Bank archive.

⁶¹ Brazilian Branches. Report from the Hon. B. Pleydell-Bouverie OBE, dated 6th April 1950, file 4408, Lloyds Bank archive.

⁶² G.J. MacGillivray (Overseas & FO Group), 'British Status in South America' (May 1956), OV188/8/16, Bank of England archive.

background to Sir George Bolton's transfer from the Bank of England to become chairman of BOLSA with a ten-year plan to revitalise the organisation.

Comments such as these, from two leading British firms in South America, raise questions about the relationship between corporate boards in London and their managers in the region, the way in which they structured their organisations, and the means by which managers were monitored on the one hand, yet given scope for autonomous entrepreneurial behaviour on the other. The overall impression of BOLSA, as noted already, is of a structure that was rigidly multi-domestic with little circulation of managers and, following the problems that had arisen in the early 1930s, strong controls over their independence. Directors' visits to South America were relatively frequent, and their reports on the potential for future business detailed and insightful, yet the structure of the firm and their staffing difficulties left little room for intra-organisational learning or subordinate initiative. Unilever also structured their subsidiaries in a multi-domestic fashion, but went beyond this on a number of occasions. First, as noted already, managers were sent from one country to another, and back to the United Kingdom, for short periods to acquire expertise that might develop their own business. Second, they attempted, after the Second World War, to establish a regional management structure to encourage intra-organisational learning and coordination, putting a promising senior executive in charge of operations in Argentina and Brazil and replacing their manager in the latter. This lasted only a few years, however, before the additional costs it imposed became too burdensome⁶³. Third, as well as consulting with managers when they returned to the United Kingdom on home leave, Unilever also introduced periodic conferences of overseas managers, commencing in 1956⁶⁴. While Glaxo had also introduced annual conferences of their overseas managing directors in the same decade, the

⁶³ The problems were exacerbated by the reluctance to expand operations in Argentina under the Peronist administration, especially if growth or diversification would require imports of inputs or new capital.

⁶⁴ Minutes of Special Committee, meeting with Overseas Committee and Overseas Managers, 9 March 1956, Unilever archive.

evidence of this happening in other firms is scanty⁶⁵. Moreover, Glaxo themselves were complaining in 1966 that there was little exchange of information among staff *within* Latin America, and that everything was run from London. Their solution was again to consider a regional management structure, in this case with offices in Mexico City, Bogotá, and Buenos Aires, together with biannual meetings for country managers and greater standardisation of procedures⁶⁶. However, the more common picture that is apparent from many company archives is of a single person at board level having responsibility for South American affairs, and communicating with country managers on an individual basis⁶⁷. Even Glaxo did not go to the same lengths as Unilever in ensuring that several members of the board visited South America in turn; like Reckitt & Colman they tended to handle South American business through one senior executive who oversaw strategy for the region among his other responsibilities⁶⁸.

F. The recruitment and promotion of senior managers

Hidden behind many of these comments on the organisation, structure, and performance of subsidiaries in South America are the British companies' historic preference for the employment of Parent Country Nationals (PCNs) in senior positions and the discrimination that was practised against Host Country Nationals (HCNs). Traditionally, the major British firms operating in Latin America such as the railway companies and banks had followed ethnocentric staffing strategies, recruiting even quite lowly managers and technical staff from the United Kingdom, controlling them through their contracts and benefits, and socialising them within the British

⁶⁵ Davenport-Hines & Slinn, *Glaxo*, p. 228.

⁶⁶ Glaxo International, 'Report on Visit to Central American and South American Markets by I.P. Lewis', Board Minutes, 28 October 1966, file CA 166, Glaxo archive.

⁶⁷ Most of the businessmen interviewed in the course of this project also confirmed the role that was often played by a 'Latin American champion' at a senior level in their firms.

⁶⁸ The Lewis report of 1966, cited earlier, in fact recommended the establishment of a senior post in Glaxo International in London to be held by a senior executive who would be responsible full-time for liaison with the Central and South American branches.

communities' clubs and associations to ensure that they did not 'go native'⁶⁹. However, for multinational companies oriented towards consumer markets in Latin America, employing managers recruited in Britain and maintaining the sterling value of their salaries and allowances, together with their prolonged periods of absence on home leave, may not have been such an attractive strategy in markets that were not central in their global interests.

Nonetheless, many British firms attempted to maintain their 'Britishness' for a long time through the appointment of expatriate senior staff. The Glaxo board, for example, took a decision in 1961 that there should be at least two British members of every major overseas subsidiary⁷⁰. However, even by then the almost unthinking transfer of expatriates to every senior position in British firms overseas was coming under question. One problem was Latin American labour and company legislation, which frequently limited the proportion of expatriate staff that a domestically registered company (the legal status under which most British subsidiaries operated) could employ. A second problem was inflation and exchange depreciation, especially in the 1950s and 1960s, which made the payment of expatriate salaries and allowances expensive for companies operating in volatile economic conditions. Company files are full of requests for salary increases and payment in sterling, and most companies serving Latin American markets, given that their revenues were earned in local currencies, were attempting to shift at least a proportion of salary payments on to a local currency basis in the 1950s and 1960s. A third element making for change was the growing difficulty in appointing British staff of an appropriate calibre to work in South America, a problem made more acute by the hiatus in recruitment caused by the Second World War.

⁶⁹ Gudmund Stang, 'Aspectos de la política de personal de las empresas británicas en América Latina, 1880-1930', in AHILA, *Capitales, empresarios y obreros europeos en América Latina* (Stockholm, 1983), pp. 501-550; Jones, *British Multinational Banking*, pp. 49-52.

⁷⁰ Glaxo Laboratories Ltd., Board Minutes, 10 April 1961, file CA 542, Glaxo archive.

There is evidence of this from a variety of sources. In the case of the Bank of London and South America a full-scale report on the options for the future of the bank, presented to the Board in September 1955, commented that staffing was 'in crisis'⁷¹. In fact the Bank had been grappling with this problem for some years. In 1949 a board member reported on his visit to Brazil in these terms:

Staff problems are going to be acute. Brazilians are not trusted 100% to take Managementships or responsible jobs -- but more and better paid jobs will have to be given to them, and we must try to recruit the best possible type. We are going to be desperately short of British Staff soon to take over in seven to ten years' time when almost all the present staff will be leaving⁷².

The problem was not confined to the bank, although it was recognised there that one of their traditional sources of supply, restless clerks working in British retail banks, such as Barclays and Lloyds, had dried up after the war. Wellcome Foundation, a pharmaceuticals company looking to expand overseas rapidly in the 1950s, especially in Brazil, noted that its growth might be curtailed by a 'grave shortage of first-class men on the scientific and commercial sides'⁷³.

If there was a problem over the quantity of potential expatriate managers, there was also an issue with quality and their capacity to adapt to an alien and difficult business environment in Latin America which might put them under enormous pressure. In the early 1950s the Managing Director of Glaxo in Brazil was said to have 'dismally overworked himself... The job has just been too much for him'⁷⁴. A few years later, in 1959, the management of Glaxo in Brazil, which was mainly British in origin, was reported to be 'pitifully weak from top to

⁷¹ Memo by F Glyn on "The Future of the Bank" placed before Board on 6 Sept 1955, file 4410, Lloyds Bank archive.

⁷² Brief Reports by Mr E. Holland-Martin on his Visit to Argentina, Uruguay, and Brazil (22 March 1949), file 4408, Lloyds Bank archive. He made similar comments on the problems of recruiting for the branches in Uruguay.

⁷³ Wellcome Foundation, Board Minutes, 3 May 1954, file SCS 285, Glaxo archive.

⁷⁴ Quoted in Davenport-Hines & Slinn, *Glaxo*, p. 238.

bottom'. 'The older members', the report added', who should be giving a dynamic lead... are those most set in the ways of the old order'⁷⁵. The Latin American business environment required adaptable managers who could spot opportunities, evaluate the competition, introduce change, operate on limited and volatile financial resources, and yet minimise risk to the parent company. In addition there were issues of adaptation to a different language and culture. While those who had worked in Latin America since the 1930s had acclimatised, they were often not so adaptable to the rapidly changing business environment of the 1950s and 1960s.

Frequently, however, the young expatriates who were recruited from Britain in the late 1940s and the 1950s failed to live up to expectations or to adapt to the Latin American environment. In the case of Brazil, learning Portuguese was a particular problem for many recruits, and it also impeded the circulation of staff within Latin America. However, selection and orientation strategies for expatriates were hardly sophisticated, and this must also have caused the failure of many assignments⁷⁶. In the case of one Unilever employee, for example, who had previously been earmarked for promotion but who decided not to return to Brazil for a second assignment, a visiting director reported: '[X is] not the man to handle tough up-country tallow renderers. He has not fitted too well into a polyglot community... His failure is due to one-third bad handling, one-third [him] and one-third our wrong choice of man to send out'⁷⁷. In the case of the senior manager sent to sort out Glaxo's problems in Brazil in the early 1960s, after three years the chairman of the company was commenting: '[Y] has about had it in Brazil, and his wife is probably pressing him to return to South Africa, or at any rate to get moved to somewhere which

⁷⁵ Quoted in Davenport-Hines & Slinn, *Glaxo*, p. 269.

⁷⁶ For more on management and staffing strategies in Argentina and Chile, set in the context of theories drawn from the international human resource management literature, see Rory M. Miller, 'Selección y gestión de personal en las empresas británicas en Argentina y Chile: el período de transición, 1930-1970', in Geoffrey Jones & Andrea Lluch (eds.), *El impacto histórico de la globalización sobre Argentina y Chile* (Buenos Aires, forthcoming).

⁷⁷ Notes on Visit to Brazil by Mr J. Hansard and Mr L.G. Norton, January-February 1952, Unilever archives.

she would find socially more congenial than life at Niteroi...'. The manager himself explained that for reasons of expense and incompatibility he had found it impossible to join suitable social clubs or enjoy cultural life in Rio de Janeiro, and another senior manager, based in Buenos Aires, added a few months later: '[Y] has had a pretty rough time in regard to his private life. He got stuck on that God-forsaken island surrounded by a myopic and rather petty community and it is only natural the poor chap wants to get back to his wife...'⁷⁸.

For a time it seemed as if the British companies that were growing in Latin America might have a solution to their preference for 'British' managers in the possibility of recruiting from the British communities in Latin America, and several made attempts to take advantage of this pool of potentially reliable management staff. In the case of Unilever, for example, three members of the senior management in the Buenos Aires subsidiary in 1935 had been recruited locally from the Anglo-Argentine community, while in Brazil at the same time both the accountant and the deputy works manager were Anglo-Brazilian⁷⁹. However, other firms were more reluctant to follow this path. In 1944, for example, the Portugal and Brazil Committee of J. & P. Coats recorded: 'It was agreed in principle that Anglo-Brazilians be engaged if regarded as outstanding, but it was the opinion of the Committee that British staff would require to be sent from this side to fill the leading positions in the organisation'⁸⁰. In fact, although there was a pronounced recruitment of Anglo-South Americans to British firms in the years immediately after World War II, when there was little emigration from the United Kingdom to South America, this did not last long for a number of reasons: first, as BOLSA found in Uruguay, the supply of young men of the right age and educational background was limited; second, other foreign firms, especially from the United States, were also competing for high-

⁷⁸ H. Jephcott to R.E. Petley, 24 October 1961; I. Lewis to H. Jephcott, 25 October 1961; R.E. Petley to H. Jephcott, 23 May 1962, file EIX 553, Glaxo archive.

⁷⁹ Mr J.L. Heyworth's Visit to the Argentine, March-April 1935; Mr J.L. Heyworth's Report on his Visit to Brazil, April 1935, Unilever archive.

⁸⁰ Minutes of Brazil and Portugal Committee (Financial), 1940-1945, 25 January 1944, Coats archive.

calibre recruits; third, managers from this background were in an anomalous position with regard to issues like pensions, leave, and allowances, creating human resource management problems for the companies; fourth, employing 'Anglos' did not assuage nationalist feelings and indeed may have made them worse⁸¹. Visiting South America again in 1951, Laurence Heyworth drew a sharp contrast between Unilever's offices in Buenos Aires and São Paulo, noting that one of his travelling companions from London had drawn his attention to

a point of some psychological importance; it may prove eventually undesirable that so much business at the higher level is conducted in English both in personal contacts and in inter-departmental correspondence. This is discouraging to the Argentines, who consequently tend to believe that their chances of promotion depend more on fluency in English than in character and commercial ability. The English community, though still fairly numerous, is diminishing, and it will obviously be better to encourage the existing Argentine personnel and to recruit from Argentine schools. In our Brazil business where very little English is spoken and everything is done in Portuguese there is an entirely different atmosphere⁸².

In making the choice, therefore, between a human resources strategy that gave preference to PCNs and one that rewarded HCNs with senior positions, British firms in South America found themselves constrained both by questions of supply and demand, and by the fact that a PCN-biased policy was too expensive and wasteful of scarce talent for it to continue for long. The solution, not just in South America but globally, was to move towards what Unilever called an '–ization' policy, which was actually better suited towards a multi-domestic organisation in which subsidiaries like those in South America were implementers of corporate strategy rather than contributors to it. The shift is implicit in the following

⁸¹ Many of these points come from interviews with senior members of the Anglo-South American communities in Buenos Aires and São Paulo. On the competition for Anglo-Argentines and the need to pay adequate salaries, see Report by Mr M.R. Lubbock (1 April 1952), file 4409, BOLSA archive. On the loss of expatriate trainees to other multinational companies, Minutes of a Meeting of the Establishments Committee, 30 November 1954, file 4409, BOLSA archive.

⁸² Visit of Mr J.L. Heyworth to South America, April 1951, Unilever archive.

statement from the Overseas Committee of Reckitt & Colman in 1954, even though it also shows a lingering desire to use expatriates as a means of retaining control:

We only send young men abroad if we think that they are good enough to be in the line of succession to a senior post in the Management but the policy has been laid down that we are to maintain the British element in the line of succession by sending out young Englishmen of good quality at intervals... At the same time Branch Managers are aware that if there are foreign nationals of the country in which we are trading who prove to be better for the post than the Englishman we have sent out then the local man should in fairness go to the top⁸³.

A strategy document the following year recognised that the company could not afford to train advertising and marketing executives to fill all the key posts, and suggested that it would better to send men from the United Kingdom with expertise in particular product groups for short overseas assignments⁸⁴. Unilever were moving in a similar direction, and their first conference of overseas managers in 1956 was the opportunity for an explicit statement of the –ization strategy:

Provided we could find and train men of the right quality, there was in fact no job which should not be open to natives, although the question of whether we should at all times reserve the position of Finance Director or Chief Accountant to an expatriate had remained undecided⁸⁵.

In the short term, however, quality was the issue. The Buenos Aires office in the same year had only three Argentines in senior positions⁸⁶. Moreover, local recruits needed high-quality local management, as well as a planned

⁸³ Reckitt & Colman (Overseas) Ltd., Board Minutes, 3 March 1954, Reckitt Benckiser archive.

⁸⁴ Reckitt & Colman (Overseas) Ltd., Board Minutes, 2 March 1955, Reckitt Benckiser archive.

⁸⁵ Minutes of Special Committee, meeting with Overseas Committee and Overseas Managers, 9 March 1956, Unilever archives.

⁸⁶ Minutes of Special Committee Meeting with Overseas Committee and Mr H. Colvill Jones, 27 March 1957, Unilever archives.

training programme involving circulation to the United Kingdom and other subsidiaries, to provide the environment in which they could develop, and there is little sign of a coherent strategy to achieve this in any of the firms whose archives were examined for this paper.

Bringing human resources policy, through the increased employment of HCNs as executive-track management trainees, in line with the strategic role assigned to subsidiaries in Latin America did not, therefore, solve all the problems of British firms, though it undoubtedly reduced the costs of employing expatriate staff. First, it left unsolved the problems of information sharing, as noted already, and may have reduced the possibility that innovations could flow upwards from the branches. In the case of Glaxo a report on South and Central America made the point in 1966 that there was no reason why product development should not be undertaken overseas rather than in London, and that the company ran the danger of lack of coordination and knowledge-sharing⁸⁷. Second, as the comment from Unilever about reserving financial posts for expatriates suggests, there was in effect a 'glass ceiling' for Latin American recruits to the firm. Unilever had been employing talented Brazilians in marketing and advertising since the 1930s, but none of them succeeded in breaking through to manage the subsidiary, whose managing directors in the 1950s and 1960s were always brought from the United Kingdom. Visiting directors in 1952 noted the presence of three talented Brazilians in the senior management, but none of them was regarded as suitable for promotion to the very top; by 1957 the one identified as the brightest five years earlier was considered to have been misplaced as Marketing Director, although it was noted in 1961 that 'his close personal association with leading Brazilians was invaluable to the company', and he had played a leading role in the merger negotiations with Gessy⁸⁸.

⁸⁷ Glaxo International, 'Report on Visit to Central American and South American Markets by I.P. Lewis', Board Minutes, 28 October 1966, file CA 166, Glaxo archive.

⁸⁸ Notes on Visit to Brazil by Mr J. Hansard and Mr L.G. Norton, January-February 1952; Mr A.D. Bonham-Carter's and Mr Paul Addis' Report on Visit to Brazil, 5th - 16th August 1957; Minutes of Special Committee meeting with Overseas Committee and Mr C.J. van den Bergh, 8 March 1961, Unilever archive.

Where locally recruited staff did make it to the highest level, it was frequently during the periods when the company was engaged in a 'holding operation', for example Unilever in Argentina during the Peronist period or Glaxo in Brazil between 1962 and 1969, when it did not make sense to employ an expensive expatriate and when, indeed, someone with good local knowledge and contacts might be more useful. Third, in part because of the limitations on promotion, in part because the prestige of having worked for a major British company increased a manager's employability, retention of local recruits became an issue. The managing director of Unilever's Brazilian subsidiary complained about the prevalence of 'poaching' to his London seniors in 1958, especially in areas where Unilever possessed competitive advantages, such as advertising and marketing⁸⁹. British companies operating in Latin America in the post-war period thus faced serious human resources problems which impeded their expansion. Whether recruiting from expatriate or local sources, recruiting and retaining staff of high calibre was a difficult task on which both managing directors in South America and senior executives in Britain had to spend a considerable amount of time.

G. Evaluating and managing risk

It is only since the 1970s that specialised firms engaged in identifying and managing political and economic risk in Latin America have begun to advise multinational companies, although credit ratings agencies have been in existence for much longer. Kroll, for example, was founded in 1972, Control Risks slightly later in the same decade, in part to provide security for multinational managers in South America⁹⁰.

Companies had to undertake their own evaluations of political and economic risk, and this was norma-

⁸⁹ Minutes of Special Committee, meeting with Overseas Committee and Mr Clive van den Bergh, 21 November 1958; Meeting of Special Committee with Overseas Committee, 27 August 1965, Unilever archive.

⁹⁰ This information is from company websites: www.kroll.com/about/history/ accessed 21 August 2007; www.controlrisks.com/Default.aspx?page=9, accessed 21 August 2007.

lly done by visiting directors and executives from Britain using the material gleaned from local managers and formal and informal conversations with other informants in the British embassy, the foreign banks, and business services firms like the major international accountancy partnerships and the leading local law firms which worked for many multinational companies⁹¹. The outcome, although they would not have termed it as such, was normally an introduction to a visit report which looked very much like a PESTL (Political – Economic – Social – Technological – Legal) analysis, and some of these could be quite astute. When Laurence Heyworth visited Argentina in 1947, very early in the Peronist period, for example, he commented:

We saw the birth of a political ideology which seems likely to have far-reaching effects for some years... The low prices paid for the cereal crops may eventually prove to be the fundamental weakness of the [Five Year] plan because the growers will tend to move off the land and to let its condition run down, thus destroying the foundation of the real wealth of the country. It is doubtful too whether the primary products will enjoy these high prices long enough to produce the desired amount of money for industrialisation. It is also notorious that some of the profits that should go to the Export Institute may find their way into other pockets... Amongst the new industries to be created many are likely to prove unsound, but the Army will be behind them irrespective of what it may cost the country in long run... The creation of unsound industries is bound to aggravate the forces of inflation... As regards the effect on our business... we need have no immediate fears... Apart from the capricious nature of the various economic decrees it is not likely that there will be discrimination against foreign-owned businesses producing such goods as soaps, edible oils and perfumery. The sufferers in this respect will be the foreign owned public utilities, Insurance Companies, and possibly Banks⁹².

It is doubtful that many subsequent economic historians would disagree with this assessment of what was to happen during Perón's 1946-55 administration. To assess the accuracy of British companies' risk evaluation in

⁹¹ Examples of such law firms are Chevalier Boutell in Buenos Aires, or Demarest and Pinheiro Netto in Brazil.

⁹² Mr J.L. Heyworth's Report on his Visit to the Argentine, Feb., 1947, Unilever archive.

post-war Latin America would demand a paper in itself, but one test of its potential feasibility and value would be to consider the three occasions when both BOLSA and the manufacturing companies came under greatest threat of nationalisation: Cuba after 1959, Peru after 1968, and Chile after 1970⁹³.

While Cuba was not of great interest to British manufacturing firms in the 1950s, in part because of the dominance of US business interests, two of the major pharmaceutical firms both considered developing manufacturing operations there in 1957. Wellcome Foundation decided quickly not to go ahead, but due to the scarcity of adequate staffing resources for further expansion within the firm rather than fear of any political threat⁹⁴. Glaxo, on the other hand, did open a new plant⁹⁵. Unilever also surveyed the possibilities of extending local manufacture in Cuba in the same year, part of a process which saw them looking to diversify both the countries in which they operated in South America and the products they manufactured⁹⁶. By 1961 Glaxo was seeking to negotiate terms for the sale of its new plant to the government, and in 1964 it wrote off £68,000 against reserves⁹⁷. However, this was too pessimistic a view. The company continued to trade in Cuba until 1968, although it suffered from persistent problems in obtaining import licences, and when it withdrew it was able to agree compensation of £45,000 with the government⁹⁸. By then British firms' trade with Cuba was growing rapidly, unhindered by the nationalisation of foreign assets in the island and supported by the export credit insurance arm of the British government, which noted in 1966 that there had been no problems with payments to British suppliers since

⁹³ In the case of Peru the threat turned out to be one of eventual loss of control due to 'social property', a form of co-ownership legislation.

⁹⁴ Wellcome Foundation, Board Minutes, 21 March 1957, Glaxo archive.

⁹⁵ Davenport-Hines & Slinn, *Glaxo*, p. 271.

⁹⁶ At the same time Unilever were also expanding in Peru, Chile, Venezuela, Colombia, and Mexico, frequently through joint ventures with local entrepreneurs.

⁹⁷ Glaxo Laboratories Ltd., Board Minutes, 10 April 1961 and 10 February 1964, Glaxo archive.

⁹⁸ Glaxo Laboratories Ltd., Board Minutes, 12 November 1968, Glaxo archive.

1962⁹⁹. British businessmen did not foresee the impact of the Cuban Revolution, therefore, and several did not envisage the improved climate for British trade, if not ownership of assets, that would become apparent in the late 1960s. Another visit report, from an ICI executive who was in Cuba at the time of the 1962 Missile Crisis, confirmed that since Castro was securely in power, 'it would be a great mistake for ICI to stop trading in Cuba'. The one aspect of his risk assessment that appears incorrect with hindsight is his forecast that if the United States did not invade Cuba they would have to accept loss of face and return to trading with the regime¹⁰⁰. In fact, the continuation of the US embargo on US firms trading with Cuba opened opportunities for the Europeans, including the British.

In the case of the Peruvian coup of 1968 and its aftermath, which made life increasingly difficult for foreign firms, there is evidence from four British companies, three of which ended up withdrawing from Peru (Wellcome Foundation, or rather its veterinary pharmaceuticals subsidiary, Coopers, Unilever, and BOLSA). From their collective histories three points stand out. First, none of these firms anticipated the coup and the radicalisation of the military administration that followed. Like most journalists and academic observers, they were initially at a loss to understand whether the nationalisation of the Peruvian subsidiary of Standard Oil was a one-off or the preface to a more considered campaign against foreign firms. By December 1969, following an agreement between the Peruvian government and some of the US copper companies, which had been under threat of expropriation, Unilever was prepared to evaluate new investment purely on commercial grounds, discounting the political risk¹⁰¹. Second, in the cases of all the firms that pulled out, their operations were already facing difficulties. Wellcome's process of withdrawal from their Coopers subsidiary, which lasted from 1971 until 1976, was largely for commercial reasons, while Unilever's operations

⁹⁹ R.A. Dickenson (ECGD) to T.W. Garvey (FO), 6 May 1966, FO 371/184604/A1156/33, UK National Archives.

¹⁰⁰ B. Cureton Jones, 'Visit to Cuba, 22nd to 31st October 1962: Note of General Interest', copy supplied to me privately by a former ICI executive.

¹⁰¹ Overseas Committee Datums Meeting, 23 December 1969, Unilever archive.

had already been facing uncertain prospects at the time of the coup¹⁰². The exception was BOLSA, which was uncertain about its future strategy in Peru at the time of the coup and did not foresee the decree of May 1970 which increased the capital requirements and limited the operations of foreign banks¹⁰³. Third, the quality of risk evaluation varied considerably from one firm to another. Even, though the banking legislation in Peru had not been foreseen, BOLSA had the advantage of advice from Jack Ashworth, a long-time resident of Lima, who commented, accurately, in 1969:

The country was firmly in the hands of the military, and the majority of the real leaders - the colonels - were dedicated and sincere men holding radical and nationalistic views but who were lacking in experience of international and economic affairs... The best that could be hoped for was that the moderate element in the ruling junta would be able to persuade their more radical colleagues to reduce the pace of change and to moderate their actions in order to avoid a major economic crisis and collapse of business confidence... Mr Ashworth recommended that BOLSA should continue to do what it could within its capabilities to help the government in order that any opportunity afforded could be taken of dissuading them or influencing them from embarking on excessive courses of action which would inevitably undermine foreign confidence and the domestic economy to the detriment of long-term Peruvian social and economic development¹⁰⁴.

The 1976 evaluation of Wellcome's representative, to the effect that there had been a Communist takeover of the country and that they would have to take care over the safety of the expatriate manager of the Coopers subsi-

¹⁰² Wellcome Foundation, Directors' Meetings, 15 June 1971, Glaxo archive; Overseas Committee, 15 January 1968 and 26 September 1968, Unilever archive. At the latter meeting it was stated that the expected loss for the Lever Pacocha in 1968, excluding detergents, would be around £30,000, taking the cumulative loss in Peru to £250,000.

¹⁰³ Memorandum by D.G. Mitchell, presented to Executive Committee, 28 May 1970, file 4404, Lloyds Bank archive.

¹⁰⁴ Bank of London and South America, Executive Committee Minutes, 29-30 July 1969, file 4387, Lloyds Bank archive.

diary, on the other hand, makes strange reading to any foreigner who lived in the country at the time¹⁰⁵.

The threat to foreign multinationals in Chile was also not foreseen. David Huelin, a senior research analyst with BOLSA, commented in 1969 that Salvador Allende was too old to win an election, writing:

The salient feature of Chilean politics in recent years has been the progressive trend of the established parties towards the left... An argument against Alessandri is that he is too old to appeal to the younger half of the Chilean electorate; this could equally be said of the socialist Salvador Allende, who is no longer a firebrand... It is regarded as certain that Frei will be elected again in 1976. From this, and from the probability that between 1970 and 1976 the country will be ruled by Jorge Alessandri without any major innovations, it may be concluded that Chile has a reasonable prospect of at least 12 years of political stability... BOLSA enjoys the privileged position of being one of the few foreign institutions that are welcomed and whose co-operation is wanted¹⁰⁶.

Unilever were also reasonably confident about the future in the late 1960s, trusting in the excellent relationship that Agustín Edwards, their joint venture partner, had with President Frei, and taking the decision, in 1966-67, to expand their remarkably profitable business in Chile by investing over £300,000 of retained profits in margarine production¹⁰⁷. However, by June 1970 they were becoming concerned that their partnership with Edwards might give them too high a profile if the Left came to power¹⁰⁸. Soon after the election of Allende the government declared its intention of nationalising Indus Lever, although it is unclear whether it realised that under such circumstances Unilever had retained the option

¹⁰⁵ Wellcome Foundations, Directors' Meetings, 22 April 1976, Glaxo archive. Maybe the Wellcome board in London was confusing Peru with Argentina, where there were serious security problems for foreign businessmen at the time.

¹⁰⁶ D.S. Huelin, Memorandum on Recent Visit to Chile', presented to Executive Committee, 17 April 1969, file 4400, Lloyds Bank archive.

¹⁰⁷ Unilever, Overseas Committee Minutes, 4 July 1969; Directors' Conference Minutes, 19 May 1967, Unilever archive.

¹⁰⁸ Unilever, Dr Woodroffe's Report on Visits to Chile, Venezuela and Trinidad, Overseas Committee Minutes, 26 June 1970, Unilever archive.

of withdrawing the rights to use its brand names¹⁰⁹. In fact, by November 1970 Unilever were quite sanguine about the prospects of a satisfactory settlement for their joint venture with Edwards, and confident about their continued good relations with the Allende government¹¹⁰.

H. Conclusions

Does the use of International Business theory help us towards a greater understanding of the strategies and operations of foreign manufacturing firms and other market-oriented companies in Latin America in the twentieth century? There are three potential audiences worth considering in answering this question: historians of foreign business in Latin America, business historians in Latin America, and international business specialists.

For historians of foreign business the application of an IB framework illuminates some significant aspects of the British business experience in Latin America. The choice of mode of entry and the preparations that they made to obtain knowledge of local markets were clearly critical for manufacturing companies. Many suffered from poor initial decisions and low-quality management, and it is significant, and perhaps unexpected, that at the highest levels skills shortages appeared when the most industrialised economies of Latin America were growing rapidly, particularly in the 1950s and 1960s. At this point, especially, there was not an adequate supply either of expatriate managers, whether experienced or trainees, or of local talent. It is clear, also, that on the one hand expatriate management was not the answer to their problems, due to apparently high failure rates, and that on the other hand locally recruited managers often preferred to leave the firm after training in search of better salaries and promotion prospects elsewhere. Doing business in Latin America was not easy. Crucial decisions had to be made about political and

¹⁰⁹ Unilever, Overseas Committee Minutes, 8 September 1970, Unilever archive.

¹¹⁰ Unilever, Overseas Committee Minutes, 24 November 1970, Unilever archive.

economic risk at several points in a company's history: in an adverse business environment should a company put its operations on hold, close down, or continue to expand in order to increase market share? There were also serious problems of monitoring, control, and organisation of subsidiaries. One important issue, not really examined by IB specialists, was the desirability of opportunities for intra-company networking and the extent to which a regional layer of management, which various companies attempted, might offer a solution to this. These difficulties presumably faced all foreign manufacturing companies in Latin America; whether US or European firms found better answers than their British counterparts is a point for further research.

Because of the interface that had to exist between British firms, Latin American suppliers, partners, and distributors, and Latin American consumers, these questions are relevant also to business historians of Latin America. Foreign manufacturing and financial services companies offered both opportunities and threats to local businessmen, depending on their strategies and modes of expansion. Moreover, they competed with local firms for scarce managerial talent, especially at the highest level, but also in specialised areas such as advertising and marketing. Particular company cultures in joint ventures might also have adverse effects: Ferreyros and Edwards probably gained from their association with Unilever; it is doubtful, however, whether Siam di Tella's engineers learned much from their association with the British Motor Corporation in the early 1960s that could save the firm. British firms could also provide useful management expertise that could be adopted locally; both Unilever and ICI claim to have learned in Latin America how to deal with inflationary accounting and in the latter case, at least, passed the techniques to their suppliers and customers¹¹¹.

What is less clear, to return to the point with which this paper started, is what the experience of manufacturing firms in Latin America a generation ago can contribute to the literature on international business, other than

¹¹¹ Evidence from interviews.

providing more of a historical perspective on issues like choice of modes of entry, management and organisational structures, and human resources management. However, there is perhaps hope that managers, as opposed to hard-nosed quantitatively-oriented academics in business schools, might recognise the value of history. When Glaxo decided to re-establish its own manufacturing operations in Brazil in 1969, the chairman of the company asked for a history of its previous operations in the country to be written in order 'to ensure that history would not repeat itself'¹¹². Is it any surprise that this has been one of the more successful British manufacturing firms in Latin America and indeed globally over the last fifty years?

¹¹² 'Brazil; record of a meeting on 10 June 1969', file EIX 553, Glaxo archives.

Appendix: Examples of the establishment of British consumer goods manufacturing companies in Latin America, 1930-1965

FIRM	Sales branches	Secondary manufacture
British American Tobacco		
Beecham		
British Motor Corporation	Morris in Argentina by 1932 but withdrawn 1940; Rover in Brazil 1956	
Bryant & May		
J. & P. Coats	Mexico 1891; Brazil 1900; Argentina 1900; Uruguay by 1935	
Crosse & Blackwell		
John Dickinson & Co.	Argentina 1921	
Dunlop	Brazil, Argentina, Uruguay, Mexico, Venezuela by 1947	
EMI (Columbia Gramophone Co.)		
Evans Medical		Brazil 1933
Glaxo	Argentina 1922; Brazil 1936; Uruguay 1948; Chile 1951	Argentina 1924; Chile 1933
Goodlass Wall & Co		
Pye Electronics	Mexico by 1959	
Reckitt & Sons	Argentina 1913; Brazil 1923	
Rootes Motors	Argentina 1930; Mexico by 1959	
Simmons International	Argentina by 1942	
Slazengers	Argentina by 1942	
Standard Motors		
Thornycroft Motors	Argentina 1930	
Unilever	Argentina 1908	
Wellcome Foundation	Argentina 1910	
Wiggins Teape	Argentina by 1935	

Note: This list has been compiled from a large number of archival and secondary sources. It does not, however, claim 100% coverage. The membership directories of the British Chambers of Commerce in São Paulo, Rio de Janeiro, and Buenos Aires show a number of other British companies, but it is not always clear what form their local business took.

FOREIGN FIRMS AND BUSINESS HISTORY IN LATIN AMERICA


Primary manufacture	Other comments
Mexico 1905; Brazil and Argentina 1914; Chile 1922; Venezuela, Guatemala, Nicaragua later.	Acquisition mainly through purchase of local producers
	Pharmaceuticals. Acquired Eno's Proprietaries 1938, and with this operations (sales?) in Argentina, Brazil, Mexico, possibly Cuba and Venezuela.
Argentina 1960 (JV), Colombia 1962 (JV)	
Brazil 1914 (bought into local co.); Argentina 1929 (bought into local co.)	1926 market-sharing agreement with Swedish Match excluded latter from Brazil; Argentine venture jointly with Swedish Match.
Brazil 1907; Mexico 1913; Argentina 1939	Expansion mainly via acquisition
Argentina 1929	
	Paper
Brazil 1952	
Argentina and Brazil by 1935	
	Probably packing tablets; acquired by Glaxo 1960
Argentina 1933; Brazil 1954	Initially producing dried milk with vitamin supplements; post-1945 antibiotics and other ethical pharmaceuticals
Argentina by 1935	Paint
Argentina 1923; Brazil 1929	Joint trading company formed between Reckitt & Colman (Atlantis) 1913; full merger 1938. Also incorporated polish companies and their factories in Argentina, Brazil, Chile, Peru.
Venezuela 1963	
	Mattress makers
	Sports goods
Brazil 1957	Manufacturing components rather than assembling cars as originally intended
Argentina 1927; Brazil 1930, Chile, Peru, Venezuela, Colombia, Mexico late 1950s/early 1960s	Also incorporated J. & E. Atkinson, perfumery and toiletries manufacturers
	Cooper Veterinary Products subsidiary in Argentina 1911 and Uruguay by 1935
Argentina 1963	Paper

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