Comparing US Multinational Companies in a Dutch Business Environment: IBM, Dow and Sara Lee[1]

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Multinational companies (MNCs) are probably the most important international organisations of the twentieth century. In the Netherlands foreign direct investment (FDI), outward as well as inward, has played a key role in the development of the nation's wealth. American MNCs were by far the most important investors in the Netherlands since the 1960s. At the moment American MNCs are still the single largest direct investors in the Netherlands with more than 1,500 affiliates.[2] Although the majority of FDI was undertaken after World War II, companies from the US undertook direct investments as early as the late nineteenth century.

On the basis of Richard Whitley and Peter Hall and Daniel Soskice, and other business system or varieties of capitalism literature, it is generally assumed that the US economy represents a major example of a liberal business environment.[3] The Dutch economy on the other hand represented an example of a coordinated business environment, at least for the greater part of the twentieth century. During the 1990s the Dutch system, however, transformed itself more in the direction of a liberal business environment, although it still kept elements of a coordinated environment as well.[4] Different institutional frameworks encourage the development of distinctive national companies with different kind of organisational capabilities and MNCs operate by definition in more than one business environment. According to Whitley home economy institutions and practices of MNCs remain largely in place even when

[1] Work in progress: please do not quote without my permission. I am grateful to Keetie Sluyterman for reading the first draft of this paper and giving her comments. Together we write a study on the internationalisation of the Dutch business system in the Twentieth Century which will be published next year.
[2] Netherlands Foreign Investment Agency, The Hague, *Stec Data Base 2006*.
[3] Richard Whitley (ed.), *European business systems. Firms and markets in their national contexts*, (London: Saga Publications, 1992); Whitley, *Divergent capitalisms. The social structuring and change of business systems* (Oxford: OUP, 2000); Peter .A. Hall and Daniel Sockice, *Varieties of capitalism. The institutional foundations of comparative advantage* (Oxford: OUP, 2001).
[4] The aim of a Dutch research project BINT (Bedrijfsleven in Nederland in de Twintigste Eeuw) is to explore the changes in the Dutch business system during the twentieth century. See also: http://www.bintproject.nl/

companies undertake FDI in quite different business environments.[5] In other words, the institutional frameworks of the home economies determine the internationalisation strategy of MNCs. This hypothesis, however, needs more empirical underpinning, as Glenn Morgan states.[6]

My paper aims to make an empirically informed and historically grounded comparison between the internationalisation patterns of three American MNCs in the Netherlands, i.e. IBM, Dow and SaraLee. What were the differences and the similarities between their internationalisation strategies of these firms? Furthermore, the paper investigates the extent and mode of parent control of the major subsidiaries, as well as the extent of subsidiary integration into the Dutch institutional framework. In addition, the subsidiary development of distinctive capabilities will be analysed, in combination with the extent of organisational learning and change of the parent company from the subsidiary in the Netherlands.

US direct investment strategy

What investment strategy did American MNCs use in the Netherlands? Did they prefer greenfield investments, joint ventures, federations, mergers or acquisitions? According to the Annual report of the American Chamber of Commerce in the Netherlands (AmCham) in 1968, the US was the biggest direct investor in the Netherlands and had 234 full subsidiaries and 123 joint ventures here at the time. The use of joint ventures instead of subsidiaries in full ownership was acceptable for the first investment, but not always practical for a MNC that needed maximum flexibility, according to a discussion in an AmCham meeting in the late 1960s.[7] The advantage of a joint venture, the participation in the national economy to prevent national protests, could be taken otherwise, e.g. through the establishment of national companies. Clearly, during the 1960s US companies were worried about the image of their FDI in Europe. As a result, joint ventures were then an accepted strategy for US MNCs.

[5] Richard Whitley, 'How and Why are International Firms Different? The Consequences of Cross-Border Managerial Coordination for Firm Characteristics and Behaviour' in:Glenn Morgan, Peer Hull Kristensen and Richard Whitley *The Multinational Firm. Organising Across Institutional and National Divides* (Oxford 2001) 27-68.
[6] Glenn Morgan, Richard Whitley en Eli Moen *Changing Capitalisms? Internationalization, Institutional Change, and Systems of Economic Organization* (Oxford:OUP 2005) 16.
[7] American Chamber of Commerce in the Netherlands (AmCham) "*Attitude of American Business in Europe*", Jay H. Cerf, 1967.

However, as Table 1 clearly shows in the long run joint ventures formed only a small minority. The large accounting firms in Table 1 are a special case. Like the Dutch auditing firms, which had endeavoured to set up European cross-border federations before, the US auditing firms had difficulties entering the European market. As a result, during the 1980s and 1990s international federations which included the largest Dutch and US auditing firms were formed.[8]

Table 1*: Strategy of Top 20 US Operations in the Netherlands in 2004 - sorted by number of employees*

Company	**Strategy**	**Since**	**Number of employees**
Deloitte	Federation	1968	7300
DAF Trucks N.V. (PACCAR)	Acquisition	1993	6000
Ernst & Young	Federation	1980	5000
PricewaterhouseCoopers B.V.	Federation	1998	5000
IBM Nederland N.V.	Greenfield	1940	5000
Sara Lee International N.V.	Acquisition	1978	3500
Nalco Europe B.V.	Acquisition	1968	3000
Dow Benelux B.V.	Greenfield	1955	2236
EDS International BV	Greenfield	1978	1934
General Electric Plastics Europe B.V.	Greenfield	1971	1800
IBM Consulting BV	Acquisition	2001	1750
Philip Morris Holland B.V.	Greenfield	1969	1750
Hewlett-Packard Nederland B.V.	Greenfield	1961	1500
Aon Groep Nederland bv	Acquisition	1991	1500
H.J. Heinz B.V.	Greenfield/Acquisition	1958	1500
Nike European Head Quarters	Greenfield	1991	1400
Cargill B.V.	Greenfield/Acquisition	1960	1350
Honeywell B.V.	Greenfield/Acquisition	1934	1300
Cordis Europa N.V.	Greenfield	1969	1200
Eaton Electric N.V.	Acquisition	2003	1200

Source: American Chamber of Commerce in the Netherlands, *Netherlands American Trade Directory 2005-2006* (The Hague: AmCham, 2004) and various web pages of the selected companies.

[8] Keetie Sluyterman, *Dutch Enterprise in the Twentieth Century. Business strategies in a small open economy* (London: Routledge, 2005) 233.

The preferred strategy of the 20 largest US investors in the Netherlands was greenfield investment. Acquisition of Dutch companies was also an excepted strategy, but often only after initially a greenfield investment had been made. In addition, it is remarkable that at least between the larger US companies and Dutch companies mergers were not likely to take place. The latter can be easily explained by the fact that US companies were generally much bigger than their Dutch competitors. Besides, the big Dutch multinationals like Royal Dutch/Shell, Unilever, Akzo and Philips either had been the result of earlier cross-border mergers or had defended themselves thoroughly against foreign take-overs.

In the next section I will take a closer look into the investment strategy and the path three major investors, IBM, Dow Chemical and Sara Lee, followed after their initial investment in the Netherlands.

IBM

In 1911, Hollerith's Tabulating Machine Company merged with Computing Scale Company of America and International Time Recording Company. The combined Computing-Tabulating-Recording Company (CTR) was based in New York. In 1924 it was renamed International Business Machine Corporation (IBM). The computing company first established itself in the Netherlands through an agency agreement at the beginning of the 1920s. From that time, the country would play a major role in the development of the computing industry in Europe.[9] After World War I, Hollerith machines, IBM’s punched card tabulating equipment, were installed in a wide variety of government and company offices in the Netherlands. In 1919, the first Hollerith equipment was installed in the Central Bureau of Statistics in The Hague. A year later, the machines were installed in the Amsterdam Branch of the Rotterdamse Bankvereniging, a major commercial bank in the Netherlands, and the Handelskamer, a wholesale cooperative in Rotterdam. By that time, two agencies had been appointed in the Netherlands: M.C. Boas and L.Fles&Co. They decided to jointly import and hire out Hollerith machines. From that time there was a tremendous expansion of the business in various fields of Dutch government and private business operations. In 1923, the Amsterdam City Electricity Works for the first time in the world used the

[9] James Connolly *History of computing in Europe,* unpublished report (New York: IBM World Trade Corporation, 1968) 20.

punched card as a customer's bill. The idea was copied in many countries of the world.[10]

In early 1920s, IBM's business in Europe expanded. As a result, the parent company in the State of New York set up headquarters in Paris. In the meanwhile, the cooperation between the Dutch agencies Boas and Fles ended. The costs of financing the expensive Hollerith machines, which were hired out to customers, were too high for Fles. As a result, the latter endeavoured to liquidate the business in 1925. Boas, however, decided to continue and obtained the exclusive rights in the Netherlands and Belgium. The agency in Amsterdam was named in full: M.C. Boas, Agent voor Holland en België der Tabulating Machine Company en International Time Recording Company, shortened Firma Boas.[11] The firm flourished in the Netherlands. Large customers in financial services like the Twentsche Bank and the Post Cheque and Girodienst, and large industrial companies like Philips introduced the punched card system that became more and more sophisticated with ever-greater applicability.

In the 1930s, Boas developed an IBM business in the Netherlands that represented a greater volume per head of the population than anywhere in Europe.[12] As a result, in 1936 his firm, which had 45 employees, was appointed as an official subsidiary of IBM's new European headquarters in Geneva. From now on Boas' engineers could take the necessary international IBM courses, and the Dutch affiliate was allowed to produce its own punched cards. Therefore, a small factory was established in Amsterdam. In 1938, IBM's Board in New York nominated Maurice Boas "World Leader", being the most successful manager of the business outside the US.[13] In the meanwhile, Thomas J Watson had developed a special relation with the Netherlands himself. In 1936 IBM's CEO had become president of the Netherlands-Amerika Foundation of which Franklin D. Roosvelt had been Vice-president a few years before. The aim of the foundation was an exchange between the two counties in the field of science, literature and arts. Most important members in the Netherlands, however, came from the world of big business, like Philips Gloeilampen Fabrieken, Holland-Amerika-Lijn and Rotterdamsche Bankvereniging.[14]

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[10] Huub Surendonk, *IBM Nederland N.V. 60 jaar* (Amsterdam: IBM, 2000) 11.
[11] Ibid., 12.
[12] Connolly, *History of computing in Europe,* 29.
[13] Surendonk, *IBM Nederland,* 19.
[14] National Archive The Hague, 2.19.042.17, *Amerikaanse Kamer van Koophandel te Amsterdam,* 1920-1951.

After the beginning of World War II in 1939, Boas migrated immediately to the United States: being of Jewish descent, he anticipated the German invasion of the Netherlands and was brought in the American IBM organisation. The Dutchman Jurriaan Schotte, who was appointed IBM's European General Manager in Geneva in 1940, succeeded him. However, shortly Schotte also departed to the United States. Just before the German occupation of the Netherlands in May 1940 Firma Boas, with 111 staff, was renamed N.V. Watsons Bedrijfsmachine Maatschappij and led by another Dutchman Pieter van Ommeren.

As a subsidiary of an American company, the Dutch affiliate was administrated under German enemy property regulation after Germany had declared war to the US in December 1941. A German administrator was appointed. Because there was no import to Europe anymore from the United States spare parts became a major issue at the time. As a result, in 1941 IBM established a new factory for parts production and assembly in Essonnes, France.[15] In 1943, IBM Netherlands obtained 34 old machines, stored for years in the Hamburg port, reconditioned them and put them to use.[16] In the course of the war, however, IBM's Hollerith machines were brought from the Netherlands into the German Reich for a wide range of applications, of which the most sinister was the use in the Nazi concentration camps.[17]

In 1946, Internationale Bedrijfsmachines Maatschappij NV (IBM, NV) succeeded the previous Dutch subsidiary to handle all business activities in the Netherlands. The socially concerned Jurriaan Schotte was appointed general manager again. During his stay in New York he had been introduced to Watson's genuine support of Roosevelt's New Deal principles and IBM's social policy, of which job security was a most distinguishing feature.[18] In 1952, IBM opened a new plant in Amsterdam for the production of punched cards and time registration equipment, but the lion's share of the output would be the famous IBM electronic typewriter

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15 http://www-03.ibm.com/ibm/history/documents/pdf/1885-1969.pdf

16 Connolly *History of computing in Europe,* E-15.

17 Edwin Black, *IBM and the Holocaust. The Strategic Alliance between Nazi-Germany and Amerika's most powerful Corporation* (New York: Little Brown, 2001). Black's assumption, however, that IBM can be held responsible for the use in the Nazi camps is highly questionable. See also Lars Heide, 'Between Parent and 'Child', IBM and Its German subsidiary, 1910-1945', in Christopher Kobrak and Per H. Hansen *European Business, Dictatorship, and Political Risk, 1920-1945* (New York/Oxford: Berghahn, 2004) 149-173.

18 Rowena Olegario 'IBM and the Two Thomas J. Watsons' in: Thomas K. McCraw *Creating Modern Capitalism. How Entrepreneurs, Companies, and Countries Triuphed in Three Industrial Revolutions* (Cambridge MA: Harvard University Press, 1997) 371.

("Selectric") until the 1980s.[19] Although mainframe systems developed rapidly punched cards remained an important part of the information systems at least until the 1970s when monitors would begin to replace the card system. During the 1950s, the IBM sales and services organisation was also growing fast in the Netherlands; by 1957, the Dutch subsidiary had already 1,000 staff. Its new Dutch director Joop van de Kamp set up the "JW Schotte fund" for the relief of IBM employees requiring help.

In the meantime, in 1949, IBM World Trade Corporation had been formed: Its aim was to manage the IBM business outside the US in seventy-nine countries. The organisations in Europe became completely in the hands of the parent company. However, the overall policy was that the national organisation were staffed and directed by citizens of the countries in which they operated.[20] During the 1950s when Tom Jr took over his father's immense business he began to reorganize the company, introduced professional management methods and a new bureaucratic structure. He based IBM's strategy on continous R&D investment. Total R&D investment jumped from 15 per cent to nearly 50 per cent of IBM's net income in the early 1960s.[21] Simultaneously IBM introduced a new manufacturing system. In Europe it meant that the common market was seen as one manufacturing complex with parts being sent from one country to another where they were assembled as a complete machine for local use or export. In the next decade, IBM's expansion in the European computer market was so large that the company accounted for over two thirds of American installations by value.[22]

During the 1960s, while the parent company was constantly under antitrust surveillance in the United States.[23] In 1967 IBM was accused of monopolising the computer market: its US market share was about 70 per cent.[24] Meanwhile, IBM's expansion in the Netherlands increased further. The Dutch business system was not hindered by antitrust legislation at the time. In 1960 IBM opened an Education Centre for customers and employees in Amsterdam. Two years later a large IBM Laboratory,

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[19] Surendonk, *IBM Nederland*, 25-26.
[20] Connolly *History of computing in Europe,* 54.
[21] Olegario *IBM,* 373-376.
[22] Connolly *History of computing in Europe* , 64.
[23] See for example the IBM side of the story : Franklin M.Fisher, John J.McGowan and Joen E. Greenwood *Folded, Spindled, and Mutilated : Economic Analysis and U.S. v. IBM* (Cambridge, MA: The MIT Press,1983). For the other side see : Thomas DeLamarter *Big Blue :IBM's Use and Abuse of Power* (New York: Dodd, Mead & Company, 1986).
[24] Olegario *IBM*,378.

a science and software centre, was established at Uithoorn. In Hengelo IBM set up a new service bureau, in Rijswijk a scientific computing centre was established, and in Blaricum an international IBM trainings centre started. In 1964, another Dutchman Erik van der Kruk was appointed director general. A year later, the introduction of a new generation computers, the *IBM System/360*, was a great success. In a short period over 300 systems were installed at various government agencies and large private companies in the Netherlands. By 1970 the company, which name had been changed meanwhile to IBM Nederland N.V., had 5,000 employees and had become one of the twenty largest employers in the country.[25]

After the oil crisis had hit the world economy IBM World Trade Corporation reorganised its businesses around the world. In 1975, IBM Nederland, now headed by Frans Kraak, was put under the General Business Group/International. Two groups were formed: GBG (Information and Word Processing) and DPG (Data Processing Group). These two groups occupied their own headquarters and competed to a certain extent on the same market.[26] Despite the reorganisation the Amsterdam plant was extended for the production of electronic composers; 500 extra staff was employed. Simultaneously, however, the punched card system ran out; the production of the cards for the world market in Amsterdam stopped in 1978.

The introduction of the personal computer at the beginning of the 1980s revolutionised the computer market. At first IBM missed the new development, then it decided that it had to step into the market. However, it had to change its strategy completely. For the first time essential parts had to be produced by other, more specialised companies, i.e. processor chips by Intel and DOS operation system made by Bill Gates' tiny company Microsoft. A second major shift in IBM's strategy was the role of its salespersons. Until now, IBM had hired out its punched card systems and main frames, including a whole service staff. From now on, however, customers wished to buy the equipment that would be handled by their own staff.[27] Under the slogan "One face to the customer", IBM Nederland's new general director Ruud van Ommeren amalgamated the bi-divisional organisation into one organisation, i.e. Customer Set Organisation (CSO).

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[25] Surendonk, *IBM Nederland,* 44.
[26] Ibid, 55.
[27] Interview Appie Reuver, Former Director External Relations IBM Nederland NV, 2 February 2006.

Nevertheless, the technological revolution had changed the relation between the customer and the company profoundly. Although IBM's personal computers were popular in Netherlands, the company had problems to adjust to a different market. Under the leadership of Co van Haeften IBM established *Direct Shops* and a leasing company (IBM Nederland Financiering BV*)* in the Netherlands. Still, IBM was losing ground. Although rapidly IBM had set the standard in the personal computer market it did not have the exclusive rights to essential parts like the MS DOS operating system or Intel processors. As a result, clone suppliers were undercutting IBM's prices and returns on the highly competitive personal computer market sunk. In addition, sales of main frames fell. Besides, in 1985 the Amsterdam plant had to stop the production of electric typewriters and switched to the production of printers, which did not turn out successfully either.

In 1992, for the first time in its entire history the IBM Corporation, was loss-making; in 1993 the Big Blue even made $8 billion loss. On a corporate level a cost-reducing programme was set in, mainly through a retrenchment in staff. By 1994 IBM had to reduce 170,000 staff world-wide. The company had to give up its old policy of "life-time employment." Nevertheless, in the Netherlands there was little opposition, because during the massive reorganisation the company used generous redundancy schemes. Forty-five per cent of the staff was made redundant; at the end of 1995 IBM Nederland employed 3,137 people.[28]

Since 1993, under a new CEO, V. Gerstner, IBM also restructured many corporate processes, among others its financial systems. With Supply Chain Management, the flow of goods and the logistics were modernised. In the same year IBM Nederland, also under a new general manager Amandus H. Lindqvist, had been made responsible for IBM's corporate distribution and became a key distribution centre for many products into Europe, the Middle East, and Africa. IBM established its international logistics centre in the Netherlands. In addition, the Dutch company acquired consultancy and software firms.[29] Over the last decade, the IBM Corporation moved from hardware to software and services. In 2005, IBM Nederland's major activities were Logistics and R&D. The company, now led by Harry van Dorenmalen, had affiliates in Amsterdam, Uithoorn, Rotterdam, Eindhoven, Arnhem and Almere.

[28] Interview Appie Reuver.
[29] Netherlands Foreign Investment Agency: http://www.nfia.com/overview.php?pageid=18

In 2005, it employed about 5,200 staff.[30] Until the 1990s, the Dutch company had a relative autonomy, however, after the restructuring IBM has become more and more a global company with global sourcing, in which the Dutch affiliate is just one competence centre among many others. For the Dutch economy, however, IBM still plays an important role as a major foreign investor and employer.

Dow Chemical

In 1952 the American chemical company Dow, coming from Midland, Michigan, planned to establish a bridgehead in Europe, which fitted in the post-war expansion strategy of US companies. The first Dow sales office was set up in Zurich, because it had a good airport, good banking facilities and telex service, which was important for Dow's long-distance order handling.[31] In 1955 in Britain, it began production in its first polystyrene plastics plant at Barry, South Wales. In the same year, it set up a central warehousing point in a section of the Rotterdam port called the Botlek. The Nederlandsche Dow Maatschappij (NDM) would serve for years as a gateway for Dow's imported products to Europe. In 1960, a small latex plant was built on the same location, which began production in 1961. In the meanwhile, in 1957, Dow had acquired Dobeckmum packaging firm, with production and marketing facilities all over Europe and its headquarters in Amsterdam, which included a lurex fibre plant.[32] With the acquisition, Dow expanded markedly in Europe and the Netherlands. A second European sales office was opened in Rotterdam, others would follow in Stockholm, Milan and Frankfurt. In 1961, the Rotterdam sales office was moved to Brussels, to become the main sale centre for Western Europe. After Dow's global reorganisation in 1965 Dow Chemical Europe in Zurich became a European headquarters. National managements, reporting to Zurich, ran subsidiaries in the main European countries.[33]

Meanwhile Dow planned to build a major chemical complex somewhere in the Benelux. Eventually, the company selected Terneuzen, on an estuary of the Wester Schelde. The first six production plants, of what would become Dow's largest

[30] Ibid. and Interview Appie Reuver.
[31] E.N Barndt, *Growth Company. Dow Chemical's First Century* (East Lansing: Michigan State University Press, 1997) 373.
[32] Barndt, *Growth Company*, 374.
[33] Barndt, *Growth Company*, 376.

chemical complex in Europe, started up in 1964.[34] Dow Benelux BV established the chemical-processing complex on a 86-hectare site at Nieuw Neuzenpolder, which has grown into a 440-hectare site with 26 separate plants in 2006. At the time, the location was chosen because it offered Dow an opportunity to develop an industrial complex – well away from centres of population. Between the ports of Rotterdam and Antwerp, it has an easy access to the world's leading markets and sources of supply. Its location on the River Schelde allowed Dow to build docking facilities capable of handling transatlantic shipments.[35] Simultaneously, the site was easily connected to the European railway network, as well as to the main European roads. Dow's choice to build an industrial complex in the middle of nowhere rather than for example build one in the Rotterdam Botlek area is a good example of path dependence, because the Dow Company had built its first plant in the countryside in the Mid-West and has always kept a preference for sites away from population centres.[36] Besides, ownership of the building lot was an absolute condition for Dow, which was impossible to fulfil in the Botlek area, because this site, like everywhere in the Rotterdam harbour, was based on long term ground lease constructions (50 or 99 years).[37] In addition, the Dutch proactive industry policy at the time helped Dow to decide to settle in Terneuzen. The government policy involved the creation of employment in underdeveloped areas in the Netherlands through an active attraction of foreign direct investment.[38] In 1959 Terneuzen had been designated by the government as a development centre in the predominantly agrarian province of Zeeland. As a result, the company was eligible for all kinds of subsidy schemes. In 1961 the Dutch government offered 15 million Dutch guilders investment grants for the acquisition of land and premises.[39] In addition, the government was prepared to subsidise investments in infrastructure, i.e. roads, rails roads, a raw materials pipeline from Rotterdam and harbour facilities.[40] Another important motive to prefer Terneuzen to Rotterdam was the nature of the regional labour market. Dow was to become the first

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[34] Barndt, *Growth Company*, 377-381. See also: Paul de Schipper *Achter de Dijken. Dow in Terneuzen 1962-1997* (Terneuzen: Drukkerij Van Maele, 1997) passim.
[35] Netherlands Foreign Investment Agency: http://www.nfia.com/overview.php?pageid=18
[36] Interview President of the Board Dow Benelux: Gerard van Harten, 8 March 2006.
[37] Interview Vice-President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.
[38] Government Memoranda Concerning Industrialisation of the Netherlands 1950-1963 (Nota's inzake de industrialisatie van Nederland, 1950-1963), passim.
[39] De Schipper, *Achter de dijken*, 105.
[40] Paul Brusse and Willem van den Broeke *Provincie in de periferie. De economische geschiedenis van Zeeland 1800-2000* (Utrecht: Uitgeverij Matrijs, 2005) 341.

industrial employer in the region. The potential labour force consisted of former farm workers who did not have a strong union background.[41] It promised industrial peace and a loyally industrious work force.

The question, however, remains why Dow did not build the complex in Germany, which was the largest market for chemical products in Europe at the time. Actually, the Netherlands was a very small market for chemical products then. The answer is simple: Dow took the European Common market extremely serious. In contrast to its large German competitors, it did not have a home market in Europe. Dow regarded the whole European Common Market as their home market and therefore looked for the most advantageous location to build the industrial complex. The firm searched for the best logistics, the best-qualified and motivated labour, and a site near water to make large shipments possible. In addition, the location near large water made an easy connection with Dow's important Texas division possible. The company's policy was first to build a market position by importing from Texas before building a European plant to produce the same product. As a result, the Texas division was always behind the growth of Dow in Europe.[42]

In 1970, a next growth stage of Dow in Europe was introduced when in Terneuzen the first Nafta Cracker was started up, which was followed by a second one in 1972. It made possible the production of basic chemical materials necessary for downstream production units in Europe, and made the Dow complex in Terneuzen more or less independent of Dow's plant in Texas.[43] In 1971 began to construct a raw materials pipeline from the Antwerp harbour. In 1975, as the OPEC oil crisis was easing, a Belgian production site started production in Tessenderlo, which did not mean that investments in Terneuzen were brought to a stop. On the contrary, new factories were built on the Terneuzen site during the 1970s and 1980s. In 1985 a production facility in Delftzijl in the North of the Netherlands was acquired. By that time Terneuzen had become Dow's largest chemical complex in Europe.[44]

During the 1990s, following a general downturn in the chemical industry, Dow Benelux worked hard to cut its costs and to improve efficiency. It pursued a strategy of modernizing or replacing older plants and allowing the company to expand

[41] Ibid, 342.
[42] Barndt, *Growth Company*, 381.
[43] Gerard van Harten *Address to symposium to celebrate the 50th anniversary of Dow's presence in the Benelux* (Rotterdam, 2005).
[44] Ibid.; Barndt, *Growth Company*, 377.

its production capacity significantly.[45] In 1999, it announced a major investment programme, including the construction of a third Nafta Cracker that started up in 2002. Total new investment in Terneuzen amounted to $800 million, which made Dow the single largest foreign direct investor in the Netherlands at the time. In 2005 total replacement value of the Terneuzen complex amounted to $6 billion. Clearly Dow had, and still has, an enormous impact on the sparsely populated region of Zeeland Flanders. In 2005, the company employed more than 2,000 staff directly full-time, contracts in 800 workers on day-to-day basis. It created work indirectly for more than 10,000 people in the region, which amounted to 10 per cent of the total population.[46]

Although obviously Dow was, and still is, a leading contributor to the Dutch economy there is still the question of the company's adaptability to the Dutch business environment. In 1965 Ben Branch, head of Dow International, told his audience at the official opening of the Terneuzen chemical complex that Dow in the Netherlands planned to follow the same internationalisation pattern as the Dutch multinationals Shell and Unilever had followed in the United States. According to Branch, these companies were considered as American and not as Dutch companies in the US. In other words, Dow in Terneuzen endeavoured to be considered as a Dutch company from the start.[47] However, Dow never completely adapted to the Dutch business system. In the pioneering phase, there was something of a "cowboy mentality"[48]. When, for example, in 1967 the national government proclaimed a building freeze, Dow nonetheless decided to continue the construction of a landing stage. Terneuzen's mayor, for that matter, had given his consent for this particular building project. Eventually, the national government did not react anymore and the landing stage was finished[49]. Ten years later, in 1978 Dow decided to use liquid petroleum gas (LPG) as a raw material. The national government, however, decided for safety reasons that LPG tankers were only allowed to land in Europoort in Rotterdam. Dow's national president M.W. Biggers – coming from Texas – reacted furious and threatened the Dutch government: "Without a supply of LPG in Terneuzen there will be 2,900 jobs less in Zeeland." Subsequently, Dutch parliament

[45] See company profile Netherlands Foreign Investment Agency: http://www.nfia.com/overview.php?pageid=18
[46] Interview Gerard van Harten.
[47] Barndt, *Growth Company*, 380.
[48] Interview with Vice-President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.
[49] De Schipper, *Achter de dijken*, 113.

gave its approval of LPG shipping to Terneuzen: earlier investments should not become unremunerative.[50]

In labour relations, Dow never liked the influence of trade unions inside its Dutch subsidiary. Tradition and atmosphere inside the Amercian company did not match with the collective bargaining culture in the Netherlands at the time. In 1975 the whole Dow staff in Terneuzen received a bonus of 10 per cent on top of their annual wages. The trade unions disapproved of the bonus as it was a denial of the Dutch system of Collective Labour Agreements (CAO). Among other things, Dow's bonus was meant to show Dutch trade unions that the company could pursue its own remuneration policy. As from 1979 Dow did not sign a CAO anymore. Contrary to the common pattern in the Netherlands Dow did not negotiate with trade unions on employment conditions since then.[51] Massive union campaign could not bring alteration as 75 percent of Dow's staff voted (under pressure) for the abolition of the CAO.[52] From 1982 Dow introduced its own remuneration system in the Netherlands, which was more performance related and incompatible with the Dutch collective bargaining culture at the time.[53] In the case of the reduction of working hours, as was endeavoured in the 1980s and 1990s by the trade unions and major employers in the Netherlands Dow had a deviant point of view as well. At the time, the Dutch consensus was 34/35 working hours a week and no salary increase, Dow stuck with 40 hours and increased its wages.

On the other hand, Dow partly adapted or had to adapt to the Dutch post-war consensus model. In the early 1970s Dow established a statutory Works Council (*Ondernemingsraad*) after it was made compulsory by the 1971 Work Councils Act (*Wet op de Ondernemingsraden*) for companies with more than 100 staff. The Work Councils kept its advisory role as had been the case in the 1950 Act, however, in some matter related to labour conditions and working hours Dow had to ask now for the Council's approval.[54] In the 1990s Dow's management agreed to include employment conditions in their consultations with the Work Council.[55] Besides, in de 1970s Dow

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[50] Ibid., 153.
[51] Ferry Pot *Continuity and Change of Human Resource Management. A Comparative Analysis of the Impact of Global Change and Cultural Continuity of the Management of Labour Relations between the Netherlands and the United States* (Rotterdam: PhD Erasmus University, 1998) 163
[52] Interview Vice President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.
[53] De Schipper, *Achter de dijken,* 161.
[54] Keetie Sluyterman, *Dutch Enterprise in the Twentieth Century. Business strategies in a small open economy* (London: Routledge, 2005) 138.
[55] Pot *Continuity and Change,* 163. Dow Nieuws, February 1972, no. 2.

set up an employee provision funds (*Voorzieningenfonds*), and an own pension funds.[56] The latter was quite exceptional in the Dow Chemical Corporation.

In the early 1990s the chemical industry, including Dow Chemical, faced a serious decline of sales and prices. Simultaneously, the world was changing quickly after the fall of the Berlin Wall in 1989 and globalisation had become a reality somewhere during the 1980s. As a result, as a global player Dow Chemical Company needed a global strategy.[57] In 1993 Dow corporation launched a global programme called Strategic Blueprint. The aim of the growth scenario was a combination of less hiring of staff, redeploying people, and improve performance. In the meanwhile, Arnold Allemang was sent from Texas to Terneuzen to reorganise the Dutch subsidiary. The newly appointed president began to reduce contract labour from 2,400 to 1,100 in one year. In addition, he dismissed 300 permanent staff for the first time in the history of Dow in the Netherlands. Worldwide the number of staff declined even more dramatically. By 1995 Dow hired 39,500 employees worldwide compared to 63,800 at the beginning of 1980s.[58]

In 1995 the Dow Chemical Corporation reorganised its global organisation. Power was taken away from the geographic headquarters and put in the hands of 15 business organisations.[59] The company's more than 2,000 products at the time were organised into 15 specific businesses, which were headed by managers responsible for that business worldwide. As a consequence, Dow in Terneuzen was more and more managed by a business group and less on a national level. Dow's new structure also meant that every production site in the world constantly had to prove its value for the company as a whole.

At the work floor level in Terneuzen Allemang implemented Strategic Blueprint as well when he introduced "empowered teams", i.e. a team that is authorised, capable and willing to manage its own activities.[60] Empowered teams provided tools for redesign of work processes and left room for the involvement of workers herein. Moreover, it prescribed the need for the acquisition of technical skills and the development of social skills to engage into teamwork. In the 2000s, Dow Corporation developed a new people strategy "Empowerment" based on self-

[56] Dow Nieuws, February 1972, no. 2.
[57] Barndt, *Growth Company*, 551-552.
[58] Ibid., 554.
[59] Ibid., 571.
[60] Pot *Continuity and Change,* 161.

regulating teams, which underscored the importance of managing the company's human capital.[61] The idea had been originally developed in the Netherlands, but became a corporate concept worldwide on 238 locations in 38 countries. Allemang, the new executive president of Dow Chemical Corporation since 2000, who had worked in the Netherlands since the 1980s, was personally responsible for the transfer of the Dutch social strategy back to the United States, and can be seen as an example of organisational learning of an US parent company from its subsidiary in the Netherlands.

Sara Lee Corporation

In 1964 Consolidated Foods Corporation (CFC) came to the Netherlands after the acquisition of Jonker Fris, a Dutch producer of canned fruit and vegetables. It was the first full acquisition of the American branded food manufacturer on the European continent. In 1972 CFC diversified into the personal care business with the acquisition of Erdal (later renamed Intradal) in Amersfoort in the Netherlands. However, the biggest en most successful acquisition at the time was CFC's initial investment in the Dutch family firm Douwe Egberts (DE) from Joure and Utrecht in 1978. DE was the largest coffee, tea and tobacco manufacturer in the Netherlands with affiliates in various European countries (e.g. Belgium, France and Ireland) and total sales above 1 billion Dutch guilders.[62]

For more than two hundred years DE had been ran as a family business. At the end of the 1960s, however, it was decided that the company had to change its organisation and strategy in the new economic reality of the European Common Market and customs union. Inside DE it was thought that the biggest treat came from the German family firm Johann Jacobs & Co, located in Bremen. As a result, the newly appointed president Johan Boost – he was not a family member directly, but had been in charge of Philips Duphar for more than 18 years and had a lot of international experience – convinced the other Board member Egbert Douwe de Jong that Johann Jacobs should be approached.[63] Because the German coffee manufacturer feared DE as much as it was feared by DE an agreement for co-operation was rapidly

[61] Interview Gerard van Harten and: http://www.dow.com/publicreport/2002/responsibility/index.htm
[62] Douwe Egberts. Koninklijke Tabaksfabriek-Koffiebranderijen-Theehandel B.V. Annual Report 1977, 6.
[63] P.R. van der Zee *Van Winkelnering tot Wereldmerk* (Utrecht: Douwe Egberts, 1987) 239-240.

reached. In addition, the German family firm had 3,000 staff and was of a comparable size. In 1968 a holding company, Douwe Egberts International N.V., was set up jointly. Research activities were combined in D.E.J. Jacobs International N.V. For the French and Danish markets joint ventures were established. In 1971 McKinsey concluded in a report to DE's Board that co-operation with Jacobs should lead to a full merger.[64] A dominating position on the European market could be realised. Besides, the new amalgamation would have a strong base for further growth through acquisitions, diversification and expansion overseas. In 1973 a new headquarters of Douwe Egberts Jacobs AG, was set up in Zürich.

Nevertheless, a minority of the 42 registered shareholders of DE obstructed the merger finally. They objected to the merger terms, both financially as well as regards their position in the management of the new company. Between 1968 and 1972 DE's profitability had increased (from 16.8% tot 22.7%) while Jacobs return on equity had dropped.[65] Thereupon, DE acquired part of their own shares to compensate their shareholders. Two family members, however, still refused to sell their shares and obstructed the merger effectively.[66] After an ultimatum of Jacobs the whole project was called off at the last minute and the new headquarters in Zürich was dismantled.

In 1976 the newly appointed president Leo van Dongen, after Boost's withdrawal from the Board, had to find a new partner and settle the impasse between the Board, Supervisory Board and the Shareholders' Meeting. Van Dongen commissioned McKinsey to find an international partner that was willing to acquire a minority share of DE, to buy out shareholders without losing the Dutch character of the company.[67] There were several candidates from the food and beverage industry – names like Bols, Nabisco and J.Lyons & Co passed by – none however wanted a minority interest, they all wanted control. Thereupon Max Geldens, managing director of McKinsey in Amsterdam at the time, contacted his friend and young CEO of Consolidated Foods John H. Bryan in Chicago.[68] CFC was interested to have a strong and profitable bridgehead in Europe, and control was not an immediate issue as the company had a highly decentralised organisation in that period. CFC's total sales amounted to $2.4 billion and it searched for international opportunities of expansion.

[64] Ryksargyf Joure (RAJ), McKinsey& Company Inc., *Memorandum aan E.D. de Jong,* 23 juli 1971.
[65] Douwe Egberts Annual Accounts 1975, 5.
[66] Interview Albert Six, Corporate Secretary Sara Lee International bv in Utrecht.
[67] Anthony Fudge *Consolidated Foods Corporation Douwe Egberts 1978/Sara Lee Corporation Sara Lee/DE 1998* (Hilversum 1998) 11.
[68] Ibid. 13.

In addition, Bryan himself came from an American family firm which had been acquired by CFC a few years before. As a result, he showed great tactfulness in his approach of the Dutch family firm.

The Co-operation Agreement – it was never called an acquisition – was signed before the end 1977.[69] The Dutch proposal, however, that CFC should only acquire a minority interest was not accepted by the Americans. In the interest of its shareholders it needed more than 50 per cent to consolidate the value of its Dutch subsidiary. As a result, a compromise was reached: CFC was to get a minority shareholding of 26 per cent, another 39 per cent was held by an independent Trust that would control voting rights and issue non-voting depository receipts of shares to CFC. In effect, CFC would acquire 65 per cent of the economic interest in DE and the Dutch would retain control. The other 35 per cent of the shares would remain in the hands of the family. The voting rights of the independent Trust plus the family share ensured a Dutch majority. This time the Dutch (family) shareholders, the failed merger with Jacobs still fresh in mind, gave their consent to the deal. No less than 95 per cent of the family shares were offered to CFC. Initially, 65 per cent were transferred in January 1978 to CFC, 20 percent went to a major Dutch insurance company Nationale Nederlanden and 15 per cent remained temporarily in the hands of the family.[70]

The legal structure created by Bryan and Van Dongen was exceptional by all means and had no imitators ever since, albeit it worked very well for more than 25 years. The role and responsibilities of the Trust (*De Stichting Nederlands Administratiekantoor*) was laid down in a special memorandum.[71] For the preservation of the "identity, integrity, and Dutch character" of DE the Trustees should in their capacity as shareholders at no time propose to amend the Articles of Association of DE in such manner that DE ceases to have the legal regime of a "structuurvennootschap met volledig regime."[72] This legal regime regulated the influence of the Board of Supervisors in Dutch companies. In addition, the Trust should always determine its voting conduct at the shareholders meeting in such a

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[69] Sara Lee Archive Utrecht (SLAU), *Deed of Contract Koninklijke Tabaksfabriek-Koffiebranderijen-TheehandelB.V. and Consolidated Foods Corporation* , 14 november 1977. The fact that the agreement was never called an acquisition but always a co-operation (merger) was a typical characteristic of the Dutch business system at the time: foreign acquisitions were always looked at with a certain distrust.
[70] Douwe Egberts. Koninklijke Tabaksfabriek-Koffiebranderijen-Theehandel B.V. Annual Report 1977, 9.
[71] SLAU, *Memorandum on the role and responsibilities of the Stichting Administratiekantoor Douwe Egberts Consolidated and its Trustees*, Juni 1977, 10.
[72] Ibid.

manner that the Chairman of Board of Supervisors was a person of Dutch nationality and that this Board was composed in such a manner that the substantial majority of its members were of Dutch nationality.

According to this memorandum the following nine characteristics had to be taken into consideration by the Trustees in making their decisions as shareholders and as advisors:

- Dutch nationality and Dutch residence of the Chairman of the Board.
- Dutch nationality and Dutch residence of a substantial majority of the Board.
- Legal seat and location of the headquarters in the Netherlands.
- The statutory name of DE.
- Contribution to the sense of "identity, integrity, and Dutch character" by placing the shares of DE on the Amsterdam Stock Exchange.
- The continuity as manufacturer and/ or distributor of branded consumer products in the Netherlands and elsewhere.
- The strategic direction of DE to further internationalisation, in cooperation with CFC to the extent such cooperation would improve and accelerate the performance of DE
- The very beneficial pattern of relationships with Dutch employees, customers and suppliers, established by DE, which should continue to be enhanced.
- The significant contribution to the Dutch economy, employment levels, and balance of trade, made by DE, which should be preserved.[73]

Nevertheless, the Trustees, respected representatives of Dutch business and politics, always applied these guidelines in a pragmatic way.[74] In twenty five years no one party, CFC or DE, ever sought changes which the other opposed. There was always a general consensus among the top managers in Chicago and Utrecht regards the interpretation of the contract.[75] What is interesting, however, is that the Americans ran the Dutch business at arm's length for a long time. The Dutch character of DE was even preserved contractually. In comparison, most American companies wanted

[73] SLAU, *Memorandum on the role and responsibilities of the Stichting Administratiekantoor Douwe Egberts Consolidated and its Trustees*, Juni 1977, 10-11.
[74] For example: former prime-minister Piet de Jong, president of the Board of DSM Wim Bogers, and president of the Board of Hoogovens Paul Justman Jacobs.
[75] Fudge *Consolidated Foods Corporation* 23.

much more control over their foreign affiliates.[76] DE none the less was seen as a potential centre for international management and the coffee business was highly profitable – the hands-off idea made sense at the time.

The Americans, however, foresaw a great future with DE and acquired a greater economic interest in the Dutch business in due course. In 1984 its share capital increased to 93 per cent, and between 1984 and 1988 the last 7 per cent were acquired from the family – in the meanwhile CFC had changed its name to Sara Lee Corporation (SLC). In total SLC paid about 1 billion Dutch guilders. SLC's voting rights meanwhile increased to 41 per cent. The majority of the voting rights, however, were still deposited with the Dutch Trust (59 per cent). Although SLC had acquired 100 per cent of the economic ownership, DE was still not fully controlled from the headquarters in Chicago. To present the acquisition as a merger or some kind of joint-venture or merger ("Co-operation") was none the less an understatement at the time.

In the meanwhile, in 1983 the Americans reorganised their Dutch businesses. Intradal, manufacturer of branded household and personal care products, was combined with DE. Although much smaller (500 staff) Intradal's president and chief executive officer Cor Boonstra was appointed chairman of DE in 1984. The Co-operation Agreement stipulated someone of Dutch nationality, however, Boonstra was simultaneously SLC's man in the Netherlands. In 1987 DE, with the full support of SLC, acquired Akzo Consumenten Producten (ACP). With the acquisition – one of the largest ever for SLC at the time ($600 million) – the company improved its geographical distribution in Europe and diversified its product range. ACP was a business active in the non food sector with a turnover of $750 million and 3,600 staff, who were employed in thirteen different European countries. DE had now become one of the ten largest industrial companies in the Netherlands with 11,741 employees, of which 5,220 worked directly here, and a turnover of more than $2 billion (ƒ4.5 billion). With the acquisitions in the Netherlands, and other countries, SLC had become one of the larger American multinationals: by 1987 SLC's foreign assets amounted to more than 40 per cent of its total assets.[77]

As of 1986 SLC proposed some changes in the Co-operation Agreement. Piet de Jong, as representative of the Dutch Trust, reaction was: "I am a prisoner of the

[76] Ferry de Goey en Ben Wubs, *US multinationals in the Netherlands in the 20 th Century: "The Open Gate to Europe"*. Paper for the Congress of the International Economic History Association (IEHA) in Helsinki (August 2006).
[77] Sara Lee Corporation, Annual Report 1987.

contract."[78] However, under the terms of the contract it meant it could not be changed without the agreement of both parties, SLC and DE. Neither party, however, felt that the spirit of the contract was endangered therefore some changes were made. First, major investment decisions of DE would be submitted to Chicago. Second, an international holding company structure would be introduced in due time. In 1989 DE was renamed to Sara Lee/DE to emphasize the integration of both companies. Simultaneously, the Dutch company's singularity was indicated. Sare Lee/DE became an international holding which administered an important part of SLC's international businesses outside the US. SLC's operations in the Netherlands were brought together in Dutch sub-holding company: Koninklijke Douwe Egberts B.V. As a consequence, DE's Dutch works council sphere of influence restricted to the Dutch operations, and not any longer to its increasing international activities. In the same year Nicholas Kiwi, an Australian based manufacturer and marketer of personal, household, shoe and care care products, was brought together in Sara Lee/DE. SLC had acquired the Australian business four years earlier for $300 million. With this acquisition, in combination of DE's takeover of its largest competitor on the Dutch coffee market Van Nelle, turnover of the international holding in Utrecht increased to more than $ 3 billion in 1989. At the time Sara Lee/ DE employed 16,618 staff, of which 6,575 worked in the Netherlands.[79]

During the 1990s Sara Lee/DE was integrated more into the American parent corporation. The international holding company was managed by means of guidelines and control points. At the same time, John Bryan's policy on minimum visits by SLC staff to Utrecht continued.[80] Coherence of policy was guaranteed by an exchange of top managers in the Board of Directors in Chicago and the Supervisory Board in Utrecht. In 1993 the Dutchman Boonstra was even appointed president and chief operating officer of SLC, a position just under CEO Bryan. Only six months later he resigned "for personal reasons." In various newspapers, however, it was written that Boonstra had provoked disenchantment with his rather unbending management style.[81] Ironically, a Dutch manager – used to work in a Dutch business environment based on consensus and co-operation – was able to provoke American managers with

[78] Fudge *Consolidated Foods Corporation* 23.
[79] Jaarverslag 1988/89 Sara Lee/DE NV.
[80] Fudge *Consolidated Foods Corporation* 37.
[81] De plantage, Aflevering 34, Item: Cor Boonstra: selfmade (top)man
http://www.vpro.nl/data/2137111/item-txt.shtml?2642477

his cost cutting measures. At the beginning of 1994 Philips' Chairman Jan Timmer hired Boonstra to reorganise its business and implement "Operation Centurion."[82] Two years later he succeeded Timmer as Philips' Chairman. He would, however, stay in the Supervisory Board of Sara Lee/DE in Utrecht during the 1990s.

In the Netherlands Boonstra had introduced the doctrine of "make your own budget" – making a plan and realise it. Furthermore, all new Dutch arrivals were educated in key positions in Chicago. In this way Boonstra wanted to improve the formal and informal communication across the ocean.[83] In addition, every months financial reports were sent to Chicago, which fitted perfectly within the American business culture were financial control played a key role.[84] The financial reporting system of the Dutch was so successful that it was copied by other subsidiaries of SLC in the world and other companies in the Netherlands.[85] Boonstra even introduced the system to Philips after 1994.[86]

An important difference between the Dutch and the Americans was the attitude towards incentives. In America SLC operated a comprehensive system of performance-related rewards. In that period it was not common to have incentives for managers in the Dutch business system. During the late 1980s the Americans none the less convinced their Dutch colleagues that incentives could improve performance. Gradually Sara Lee/De introduced incentives schemes for its higher management, and rapidly these schemes became part of SLC's remuneration system in the Netherlands.[87]

In 1997 SLC designed a new strategy called "deverticalization" which referred to an ongoing process in which SLC evaluated business by business and how it could achieve higher returns from a lower assets base. The company wanted to be faster to market with new products, "freed from the constraint of operating and owing the entire economic value chain."[88] It reacted, like many multinationals, on two major developments. First, through the process of globalisation companies were more and

[82] Marcel Metze *Let's make things better* (Nijmegen 1997).
[83] Fudge *Consolidated Foods Corporation*., 39-41.
[84] Richard Whitley, 'How and Why are International Firms Different? The Consequences of Cross-Border Managerial Coordination for Firm Characteristics and Behaviour' in:Glenn Morgan, Peer Hull Kristensen and Richard Whitley *The Multinational Firm. Organising Across Institutional and National Divides* (Oxford 2001) 27-68.
[85] Interviews Albert Six, Sara Lee International bv.
[86] Fudge *Consolidated Foods Corporation*, 39.
[87] Fudge *Consolidated Foods Corporation*, 41.
[88] Sara Lee Corporation, Annual Report, 1998.

more players on international markets with *global brands*. Second, pressure of financial markets on companies quoted on the stock exchanges to constantly improve *shareholders value* increased. World-wide SLC divested whole divisions, companies, plants and equipment. In 1998 SaraLee/DE in the Netherlands sold its tobacco division completely to Imperial Tobacco Group PLC for more than $1 billion.

In 2000 SLC's new CEO Steven McMillan announced that the company would focus its resources on fewer businesses and more narrowly defined business segments.[89] The strongly diversified conglomerate had to become a more focussed company with a smaller number of stronger brands. Simultaneously, SLC's commitment to a decentralised operating structure, which had been so successful under CEO John Bryan, had to be adapted to a more centralised organisation. SLC was reshaped into three consumer packaged goods divisions: food and beverages, intimates and underwear, and household products. Cost reductions, economies of scale and the combination of redundant operations would be essential for SLC's survival on a highly competitive global market.

In 2002 the Dutch Trust was discontinued because it did not fit any longer in SLC's centralised organisation structure. Besides, the Dutch share in SLC's total foreign sales had decreased from 80 to 18 per cent. In the articles of association it was provided that the Trust could be discontinued if both parties, SLC's shareholders and the Dutch Supervisory Board, would agree. Trustees Roelof Nelissen (ABN-AMRO), Pieter Bouw (KLM) en Hans Wiegel (Member of the Senate) agreed to the liquidation of the Trust. In 2003 Sara Lee/DE was renamed to Sara Lee International BV. It became an international management centre which ran SLC's businesses around the world outside the United States with a total turnover of $5 billion, which amounted to 40 per cent of the corporation's total turnover.

In 2005 SLC's new CEO Brenda Barnes announced that the company would dispose of approximately 40 per cent of its businesses; total turn over was brought back from $20 to $12 billion.[90] Various businesses were sold, eg. SLC's direct selling business, its US retail coffee business and its European meat business. SLC's branded apparel was split off and brought separately to the New York Stock Exchange under the name Hanesbrands Inc (HBI). SLC's focus was now squarely on building strong

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[89] Sara Lee Corporation, Annual Report, 2000.
[90] Sara Lee, Annual Report 2005.

brands in the food, beverage, and house hold and body care divisions.[91] World-wide SLC changed its organisation fundamentally. Centralisation and integration, earlier announced in 2000 under McMillan, was now really implemented in a short period of time. Sara Lee International's corporate governance structure will change completely. Its Supervisory Board and Board of Management will be discontinued and the two CEOs of the two Coffee & Tea en Houshold en Body Care in Utrecht will directly report to Brenda Barnes as of 1 July 2007.[92] A process that began in 1978 has been completed then.

Conclusions

One has to be cautious to draw conclusions on the basis of three case studies. Nevertheless, a few explorative observations can be made. Although clearly the three cases preferred either greenfield investments or acquisitions, the way they pursued these internationalisation strategies differed to a great extent. Each case showed its own individual strategy dependent on the period of time, the line of business, its internal organisation and the place of origin in the United States. A company from the Mid West (Dow) reacted differently to the Dutch business environment than a company from America's east coast (IBM). Besides, individuals and personality mattered as well. For example, John Bryan's background, coming from a family business himself, had a great influence upon the way SLC dealt with the Dutch family firm DE.

IBM's internationalisation pattern in the Netherlands matched perfectly with Johanson and Vahlne's model of the incrementally increasing commitments to foreign markets.[93] At first the company appointed agents, then the agents were linked closer to the company. Next, the agent became a fully owned subsidiary, and last the subsidiary invested in production facilities when the market had been thoroughly explored by exports. What is interesting in IBM's case is that the Dutch agent became the director of the full subsidiary. Moreover, in due time all general directors of IBM in the Netherlands were of Dutch descent. In spite of the formation of IBM's World

[91] Sara Lee, Summary Annual Report 2006.
[92] Sara Lee, Management Information, Plan tot herstructurering van Sara Lee International, 20 March 2007.
[93] See for example: Jan Johanson & Jan-Erik Vahlne, 'The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments', *Journal of International Business Studies,* 8, 1977, pp. 23-32.

Trade Corporation, which aim was to coordinate the business outside the US, the overall corporate policy was that the national organisation were staffed and directed by citizens of the countries in which they operated.

IBM showed a great adaptability to the Dutch environment in the last century, but simultaneously the business was managed according to IBM's international corporate strategy. Since the late 1930s, the Dutch company was embedded in IBM's strong corporate culture. However, IBM's human resource management in the Netherlands matched very well with the development of Dutch post-war labour relations. In addition, IBM Nederland was closely linked with the innovation of Dutch business and (semi-) government organisations. Conversely, IBM's world development was also linked to the easy adaptation of the company's technology by Dutch big business and various government agencies. Besides, IBM's prosperous development in the Netherlands was never impeded by antitrust legislation. By the time the Dutch began to develop serious legislation in this field at the beginning of the early 1990s IBM had lost its dominant position in the Dutch market.

Dow's internationalisation pattern showed incremental characteristics as well. In 1955 it had set up a central warehousing point in the Rotterdam port as a gateway to the European market. Two years later Dow had acquired Dobeckmum packaging firm, with production and marketing facilities all over Europe and its headquarters in Amsterdam, which included a lurex fibre plant. In 1960 it had built a small latex plant near the warehouse in Rotterdam. In the early 1960s, however, Dow planned to build a major chemical complex somewhere in the Benelux. The company from Midland, Michigan, selected Terneuzen, a small town in the province Zeeland, on an estuary of the Wester Schelde. The location had been chosen because it offered Dow an opportunity to develop an industrial complex – well away from centres of population, like it always had done in the US. Between the ports of Rotterdam and Antwerp, it had easy access to leading markets and sources of supply. In 2006 the location had become Dow's largest chemical complex in Europe, which has grown into a 440-hectare site with 26 separate plants. At the time Dow has become the largest foreign direct investor in the Netherlands.

Dow Chemical is a striking example of what Whitley assumed for MNCs in general: that it kept its home institutions and practices largely in place when it undertook FDI in the Dutch business environment. That is not to say that it did not adapt itself to the Dutch legal system. Nevertheless, where possible it always chose its own path within the bounds of possibilities. For example, Dow's preference for a site in Terneuzen rather than Rotterdam can be partly explained by the company's loathe of Rotterdam's long term ground lease constructions. Ownership of the building lot, like at home, had been an absolute condition for Dow. In labour relations Dow did not adapt to the Dutch collective arrangements either. When possible, it introduced its own remuneration schemes. As of 1979 until this very day Dow did not sign Collective Labour Agreements (CAO) any longer. Dutch trade unions were powerless as a great majority of Dow's staff signed individual labour agreements ever since. Besides, arguing too much with the largest employer in the region would endanger too many jobs.

Sara Lee's corporate internationalisation strategy in the Netherlands was based on acquisitions. The exceptional way the Dutch family firm DE was acquired also showed an incremental pattern, however not in the sense of the other two cases. The incrementality of SLC's investment refers to the acquisition of ownership and control in gradual stages. Majority economic ownership was acquired quite early in 1977, however, full control was only secured 25 years later. In the meanwhile, SLC – a company committed to the principle of decentralised management – shared control with its Dutch management, a Dutch supervisory Board, and a special Dutch Trust. The latter was established to control part of the voting rights of SLC to preserve the "identity, integrity, and Dutch character" of DE. In a memorandum on the role and responsibilities of the Trustees – all respected and independent Dutch businessmen and politicians – it was quite comprehensively described how the Dutch character of DE should be preserved. Clearly at the time SLC adapted largely, and even formally, to the Dutch business environment.

Nevertheless, during the 1980s and 1990s DE was integrated in various stages into the strategy of the parent company, though for long time the Dutch subsidiary was controlled at arm's length. When in the 2000s SLC changed more and more into a centralised multi-divisional organisation the Dutch singular legal construction had outlived itself. In 2002 the Dutch Trust was abolished. Headquarters in Utrecht became an international management centre which had to run SLC's international businesses outside the US. Meanwhile, during the 1990s the Americans had convinced their Dutch colleagues that SLC's numerous reward systems to motivate management to achieve better performance had to be introduced in the Dutch subsidiary as well. As a result, an uncommon feature of the Dutch business environment was adopted gradually.

In conclusion, although there were differences between these three MNCs there were similarities as well. All three cases showed an incremental internationalisation pattern in one way or the other. Moreover, these US companies introduced their own individual remuneration schemes based on individual performance. Until the 1980s it was unknown in the Dutch business environment, which was mainly based on collective bargaining, independent of individual performance. Nevertheless, during the 1990s these individual reward systems became more common in the Netherlands. Another similarity of these three cases was that the relative importance or autonomy of the Dutch subsidiary decreased in the course of the 1990s. National subsidiaries became business units of global companies. This was a result of a general trend in organisational structures of multinationals at the time – some scholars therefore preferred the term transnational instead – and a response to the process of what was called globalisation. MNCs more and more operated and competed on a global scale and global markets. The necessity of having national headquarters in various countries declined; instead virtual headquarters began to manage the businesses in various regions – sometimes not even on a national level anymore. What the consequences will be for the differences between national business environments is still obscure however.