

Is Business beyond the Firm really beyond the Firm? The Case of Paul Silverberg (1876–1959)

I. Introduction

The main function of an entrepreneur is – according especially to Mark Casson – to finalise the decision-making process in strategic issues by synthesising information.¹ But, of course, the activities of an entrepreneur go much further – at least in order to get the information estimated to be useful. Thus, entrepreneurship does not end at the boundaries of the firms and business *beyond* the firm seems to be an integral component of business *within* the firm.²

This is also one assumption of Fritz Redlich's papers on entrepreneurship since the 1950s. In his concept of how to write the history of businessmen,³ Redlich determines three interlinked levels of entrepreneurship: Firm, economy, and society. Those are, according to Redlich, always related to the needs of the own firm – of course in descending order. To be more precise, I want to give a brief overview about what the levels firm, economy and society mean or could mean to an entrepreneur.

- 1.) Within the firm the entrepreneur has to organise the decision-making process by defining the firm's strategy, the discretionary competences and the rules of communication in at least the executive board and by choosing the best possible personnel.
- 2.) The level "economy" includes all activities that are able to increase stability, rise profits, provide information etc. This level is, however, pretty much vague and includes e.g. networking in various ways as well as activities in lobby groups or the political sphere in general, and, of course, in other firms – in the German case especially via mandates in supervisory boards (Aufsichtsrat).
- 3.) The level "society" refers to all actions of entrepreneurs that are not directly related to the firm, such as scientific, charity, or cultural activities and donations.

¹ Mark Casson: *The Entrepreneur. An Economic Theory*, 2nd Edition, Cheltenham/Northampton 2003.

² For more extensive reflections about the following – necessarily short – theoretical approach see: Boris Gehlen: *Paul Silverberg (1876–1959). Ein Unternehmer*, Stuttgart 2007, pp. 22–41.

³ Fritz Redlich: *Ein Programm für die Unternehmerforschung*, in: ders.: *Der Unternehmer. Wirtschafts- und sozialgeschichtliche Studien*, Göttingen 1964.

In this short paper I am going to challenge Redlich's assumption, that those three levels are interlinked and that there is thus not really any "beyond the firm". Therefore I will analyse three representative fields of activity of the German businessman Paul Silverberg beyond his own firm.

II. Paul Silverberg as an entrepreneur

Paul Silverberg (1876–1959) started his career in 1903 in the Rhenish brown coal mining (or lignite) and the expanding electricity industry.⁴ He became one of the most renowned entrepreneurs in the Rhine-Ruhr-Region during the Weimar years. Even though he was not the main stockholder of the "Rheinische Aktiengesellschaft für Braunkohlenbergbau und Brikettfabrikation" (Rheinbraun), Silverberg as head of the executive board managed to unite the property rights on himself by moderating the interests of stockholders, workers, banks, and the local authorities. With this very own concept of "capital democracy", which became his entrepreneurial guideline and which was quite similar to a stakeholder value concept, Silverberg extended his room for manoeuvre substantially. According to the contemporary press, he was the undisputed "king" of the Rhenish brown coal until he had to resign in 1933, after his firm merged with the "Rheinisch-Westfälische Elektrizitätswerke AG" (RWE) following a hostile take-over. This take-over, the previous intrigue against him of former partners and the fact that there was no place for him as a converted Jew in Nazi Germany made him go into the Swiss exile in 1934; he never came back to Germany and died in Lugano in 1959.

After Silverberg had become head of the RAG-supervisory board in 1926, he was still the decisive entrepreneur in the firm. But not being involved in the daily decision-making anymore, he redeployed his interests in numerous activities beyond the firm. In 1931, he was a member of 61 supervisory boards – including some of the biggest companies in Germany, such as "Vereinigte Stahlwerke", "Deutsche Bank" and the "Reichsbahn". In addition to this Silverberg belonged to more than 150 associations: social, scientific, and philanthropic associations as well as interest groups. In the latter organisations he soon became politically visible as a businessman, who was willing to cooperate with organised labour and to encourage the Weimar Republic, especially since

⁴ For further details see Gehlen: Silverberg.

Chancellor Heinrich Brüning had chosen him as his economic consultant in 1930.

Three of Silverberg's activities beyond the firm shall be examined now. First of all and representative for "firm" (beyond the firm), I will examine Silverberg's involvement in the reorganisation of the "Stinnes-Konzern" in 1925/26. Secondly and representative for "economy" Silverberg's role in restructuring the "Bank for Deutsche Industrieobligationen" (Bafio) is analysed – a private bank that was governed by public law so that it was influenced by several political interests. Thirdly and representative for "society" Silverberg's social foundations shall clear up the question, if there was a real philanthropic motivation in setting up charity organisations or if they were just instruments of the social policy of the firm.

III. Silverberg and the reorganisation of the "Stinnes-Konzern"

The "Stinnes-Konzern" was a conglomerate of nearly 1.500 firms that broke down after its founder, Hugo Stinnes, had died in 1924.⁵ Being a friend of Stinnes' his family asked Silverberg to act as a trustee for the family's interests. Silverberg admitted but stipulated to act without any restraint as he was used to in his firm. His commitment was not only selfless, because the main competitor of his firm Rheinbraun, the RWE, was also part of the Stinnes' conglomerate. Silverberg could therefore use his position in the liquidation committee to control competition in the Rhenish electricity market which without a doubt improved the situation for his own firm.

Anyway, the family at first confirmed to grant him the freedom he wanted but soon conflicts arose between the actors. Especially the son of Hugo Stinnes, Hugo Stinnes jr., brought in own ideas. While Silverberg wanted the Stinnes-Konzern to become solvent and trustworthy again as soon as possible and therefore was prepared to sell the coal mine "Matthias Stinnes", Hugo Stinnes jr. wanted to keep this coal mine family-owned. Besides a more a less emotional motivation, because the coal mine had been the traditional basis of the Stinnes-Konzern, Stinnes jr. wanted to built up the prospective family business on the mine "Matthias Stinnes".

⁵ Gerald D. Feldman, Hugo Stinnes. Biographie eines Industriellen 1870–1924, Munich 1998, pp. 662-665.

Not used to be restricted in his room for manoeuvre and even more not used to that information was kept back, Silverberg became more and more angry about the young Stinnes. Although Silverberg admitted afterwards, that the concept of Hugo Stinnes jr. was pretty good,⁶ he was not able to change his mind during the process of reorganisation itself. His experiences in his own firm, the internalised decision-routines and his strict priority to financial stabilisation made him to some extent blind for alternatives.

But this was not the decisive point, why Silverberg finally decided to give back his mandate. The reason was more personally: In the correspondences he complained repeatedly about the mistrust in his activities and the lack of information provided by the Stinnes family.⁷ Although he worked nearly one year as a family trustee he had never the same conditions as he had in his own firm and it turns out that this is the crucial issue, why Silverberg failed at least on the strategic level. The coal mine remained family owned and Hugo Stinnes jr. rebuilt the family business with partners from the U.S. – of course in much smaller dimensions than his father did. He could do so, because he held the main stocks of the firm, while Silverberg – similar to his own firm – just wanted to act as a manager with a mandate based on trust in his abilities.

IV. Silverberg and the restructuring of the “Bank für Deutsche Industrieobligationen”

The “Bank für deutsche Industrieobligationen” (= bank for German industrial bonds) had been founded in 1924 as a financial institution to manage the industrial contributions that arose from the “Dawes Plan”.⁸ Because the bank was part of the reparation system it was founded by public law and thus state und politicians played a crucial role in the bank’s policy from the very beginning. The related law (“Industriebelastungsgesetz”) enacted that industrial companies had to contribute a certain amount per year. This amount rose from 125 million Reichsmark a year in 1925/26 up to 300 million Reichsmark since 1927/28.

But after the “Young Plan”, that changed the reparation regime, had been released in 1929 the industrial contributions were not required anymore. The bank

⁶ Silverberg to Warburg, August 16th 1926, BAK N 1013/6, pp. 19.

⁷ E.g. Silverberg to Cläre Stinnes, July 12th, 1926, BAK N 1013/552, pp. 155.

⁸ Siegfried C. Cassier: Unternehmerbank zwischen Staat und Markt 1924 – 1995. Der Weg der IKB Deutsche Industriebank, 3rd edition, Frankfurt/Main 1996.

became needless and was about to be closed down. In this situation Silverberg suggested in 1929 to maintain the contributions and to keep the bank alive.⁹ Only the purpose of the company should be changed: The bank should henceforth help to restructure debts of East German agriculture from short in long term loans.

His plan was a kind of help to self-help in the economic crisis:¹⁰ The industry should enable East German farmers to work more efficient than they had done in the past and especially under the pressure of the decreasing prices in the world agricultural markets. Silverberg's idea had some clear advantages: The political and economic conditions required a solution of the German agricultural problem and some suggestions had been made before to help the farmers in the so called "Osthilfe"-movement. Thus, Silverberg's programme was released in convenient political settings.¹¹ The agricultural associations were, of course, interested in any suggestion that helped to improve their situation, and although the industry had in the end to pay for Silverberg's ideas, it did not oppose the plan substantially, because most companies had budgeted the amounts in their mid-term financial plans anyway.

But as always the devil was in the detail. First of all, Silverberg had – similar to the Stinnes-case – clear ideas how the bank should be managed: As a private institute only lending money to farms that were estimated to survive in the long run. To realise his ideas Silverberg claimed, that neither the state nor agricultural delegates should have any influence on the decision making process. This was an ambitious programme because the bank was on the one hand financed by the private industry but on the other hand it was a public bank. Furthermore, the related law had to be changed to restructure the Bafio, so Silverberg's suggestion had a strong political dimension with many potential and real conflicts included.

⁹ Paul Silverberg: Steuer- und Finanzpolitik, in: Franz Mariaux: Paul Silverberg. Reden und Schriften, Köln 1951, pp. 107–136.

¹⁰ See for details: Boris Gehlen: Hilfe zur Selbsthilfe: Paul Silverberg, der RDI und die Bank für deutsche Industrieobligationen 1929 bis 1933. Ein Beitrag zur Wirksamkeit persönlicher Vernetzung, in: VSWG 94, 2007, pp. 1-26.

¹¹ Martin Fiederlein: Der deutsche Osten und die Regierungen Brüning, Papen und Schleicher. Diss. Würzburg 1966; Dieter Gessner: Agrardepression und Präsidentialregierung in Deutschland 1930–1933. Probleme des Agrarprotektionismus am Ende der Weimarer Republik, Düsseldorf 1977.

The internal conflicts in the “Reichsverband der deutschen Industrie (RDI)”, which was the umbrella organisation of industrial associations in Germany, were – by comparison – only a small problem. Silverberg was the vice president of the association and thus quite powerful in organising a majority for his plan¹² – which was furthermore not opposed as such but in some details. In the end the plan was only marginally modified: First, the yearly contributions of the industrial companies were reduced gradually over the next five years and, second, the bank not only gave loans to East German agriculture but also to small- and medium-sized industrial enterprises throughout the Reich.¹³

The state, this means in this case the Reich and Prussia supported Silverberg’s plan as such, but did not want to except that public influence on the new bank was not designated. After all, only the state as the legislator was able to change the corresponding law. The minister of finance had an additional motivation to at least delay the legislation process, because he could budget for the industrial contributions until the new law was released.¹⁴ In this quite complicated situation Silverberg’s close relation to Chancellor Brüning was his main asset. He was able to convince Brüning to support his plan and especially his main goal that the bank should be a private institute. Silverberg argued, that otherwise the industry might not be willing to further encourage any relief for East German agriculture.¹⁵

Although Brüning granted his support the main battle was still to fight. The agricultural organisations were closely linked to the powerful President of the Reich, Paul Hindenburg, and did not accept the industrial leadership in rescheduling the farmers’ debts. As mentioned, Silverberg’s plan contained a condition that only those farms should be supported that were able to survive by their own; the agricultural organisation demanded however, that any farm should get money from the Bafio – as they were used to in the years before. While Silverberg and the industry promoted help to self-help, the agricultural actors demanded for

¹² Reinhard Neebe: *Großindustrie, Staat und NSDAP 1930–1933. Paul Silverberg und der Reichsverband der Deutschen Industrie in der Krise der Weimarer Republik*, Göttingen 1981.

¹³ *Beschlüsse des Präsidial- und Vorstandsbeirats*, May 6th 1930, BAK N 1013/248, pp. 188–193; Kastl to Reichskanzlei (Pünder), May 15th 1930, BAK N 1005/110, pp. 46–51.

¹⁴ Silverberg to van Flemming, October 20th 1930, BAK N 1013/574, pp. 183–186.

¹⁵ Silverberg to Brüning, February 25th 1931, in Ilse Maurer/Udo Wengst (eds.): *Politik und Wirtschaft in der Krise. Quellen zur Ära Brüning*, Düsseldorf 1980, no. 201d, pp. 560–561.

subsidies.¹⁶ In the end Silverberg's coalition with the industry and the Reich was strong enough to achieve the goals against Prussia and the agricultural organisations, which both were – for tactical reasons – included in the restructuring of the farmers' debts after all, but not in a decisive position.¹⁷

So in fact, the “Bank für deutsche Industrieobligationen” was in 1931 indeed restructured as Silverberg had intended – not least because of his networking skills. This last point might be underlined by the personnel Silverberg was able to recruit for the bank's supervisory board. This was in fact the “Who is who” of German Big Business: Albert Vögler from the Vereinigte Stahlwerke, Carl Bosch from IG Farben, Oscar Wassermann from Deutsche Bank, and Carl Friedrich von Siemens – to name just a few.¹⁸

But the main point was that Silverberg's actions again – as in the Stinnes case, but this time successful – just were orientated towards his guiding entrepreneurial principles: freedom of manoeuvre, reasonable commercial conduct, networking and moderating interests.

V. Social foundations

Every business is part of a wider social system and the environment of the firms expects to benefit from it in any way. So most firms have to some extent a social mandate, too, even if their social activities are not always voluntary in a strict sense. As mentioned above, Silverberg was a member of more than 150 associations, most of them were interest groups and scientific foundations, 33 cultural foundations and 15 charity organisations, which equals about 20 respectively 10 percent. About 30 percent of his mandates in associations were thus strictly non-commercial. (Of course, his mandates in scientific organisations were non-commercial either, but the relations between business and science were quite close during the Weimar years, so that it is impossible to differ commercial from philanthropic motivations.)¹⁹

Almost every cultural foundation and every charity organisation, Silverberg was a member of, were located in Cologne, where the head of the Rheinbraun was

¹⁶ Gessner: Agrardepression, pp. 126-127.

¹⁷ Aktenvermerk Pünder, February 6th 1931, BAK N 1005/122, p. 180.

¹⁸ Silverberg to Schwerin von Krosigk, January 25th 1931, BAK N 1005/111, pp. 40-46.

¹⁹ See table 8, in: Gehlen, Silverberg, pp. 553-560.

as well. Thus, it seems that the motivation for Silverberg was not pure philanthropic but more to support the local environment of his firm *and* people in need. Moreover, Silverberg himself was founder – respectively trustee – of two charity organisations closely linked to Rheinbraun. The first one, the Adolf-Silverberg-Foundation was funded by his father, who has been Silverberg's predecessor as the head of the executive board. The foundation helped workers of Rheinbraun, who were in need without own fault. The decision about the donations were made only by Paul Silverberg himself, so the Adolf-Silverberg-Foundation had also an educational impact.

The second foundation was quite similar, only the recipients differed. In this case people in need of Silverberg's hometown Bedburg could benefit from the so called Paul-Silverberg-Foundation. It was funded in 1950, when Silverberg's career had already ended. Moreover it had the additional function to keep his name and his performance as a businessman in mind of his hometown.

So in conclusion, Silverberg's charity engagements combined the needs of the firm with his bourgeois self-conception, which included help for people who were in need – without own fault. With his charity foundations and donations Silverberg thus also wanted to achieve educational goals and hand on those values that had made him a successful businessman.²⁰

VI. Conclusion

In all three examples mentioned before it becomes visible, that Silverberg – figuratively spoken – did not leave his own firm when he acted beyond it. His entrepreneurial principles, his experiences made at Rheinbraun and the internalised rules of decision-making were always his guideline. This approach led sometimes to success and sometimes did not. There are many further examples in Silverberg's career that strengthen Redlich's assumptions that any action of an entrepreneur is related to the needs of the own firm. Of course, those relations are often mediate: Building up networks, acting in politics, supporting scientific and welfare organisations or even controlling other enterprises does not necessarily have a direct impact on the entrepreneurs' own firm. But they are not completely needless either. Especially the restructuring of the Bafio showed that Silverberg's networks built up in the past and on the basis of his

²⁰ Gehlen: Silverberg, pp. 134–138.

own firm were useful instruments to achieve his goals. But often nothing fails like success: The entrepreneurial strategies and tactics developed at Rheinbraun enabled Silverberg to become one of the most influential entrepreneurs of the Weimar Republic – and also led to his entrepreneurial failure: Only because he trusted too much in his own abilities and principles the intrigue and the hostile take-over in 1932/33 were successful.

If we take a closer look to German entrepreneurship in the Weimar years, Silverberg does not seem to be an exception in his enterprise-referred perception of problems outside the firm – of course in various ways. But most businessmen – at least in Big Business – seem to have in common that if the instruments once developed were successful, they were used repeatedly. For instance, Friedrich Flick's risky and reckless stock transactions and his ability to manipulate useful actors were recurrent instruments to achieve his goals.²¹ The latter ability was also a factor of success in the case of Philipp Reemtsma, a cigarette producer.²² And heavy industrialists like August Thyssen or Gustav Krupp von Bohlen und Halbach were strictly orientated to the needs of their firms, too, when they – for example – supported the aggressive politics of Germany in World War I.²³ And if we look on the broad literature on entrepreneurial behaviour in Nazi Germany the commitment of the entrepreneurs to the Nazis was more often a result of the needs of the firm than a kind of conviction.²⁴ Of course, in a moral view this makes no difference but this behaviour corresponds clearly to Redlich's assumption that any action of an entrepreneur is – at least mediate – influenced by his firm's need. So everything *beyond* the firm is – to a certain and of course variable extent – still *within* the firm. This, however, would imply that entrepreneurs are less flexible, innovative and adaptable than the common and (of course) the entrepreneurial self-image suggest.

²¹ Kim Christian Priemel: Flick. Eine Konzerngeschichte vom Kaiserreich bis zur Bundesrepublik, Göttingen 2007.

²² Tino Jacobs: Rauch und Macht. Das Unternehmen Reemtsma 1920 bis 1961, Göttingen 2008.

²³ Stefanie van de Kerkhof: Von der Friedens- zur Kriegswirtschaft. Unternehmensstrategien der deutschen Eisen- und Stahlindustrie vom Kaiserreich bis zum Ende des Ersten Weltkrieges, Essen 2006.

²⁴ Johannes Bähr et al.: Der Flick-Konzern im Dritten Reich, München 2008; Ralf Banken: Edelmetallmangel und Großraubwirtschaft. Die Entwicklung des deutschen Edelmetallsektors im „Dritten Reich“, Berlin 2009.