Multinational companies and national business systems in the twentieth century: what we can learn from the Shell history

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Abstract:
This paper combines two research projects in which I have been happily involved in recent years: the study of the history of Royal Dutch Shell and the study of changes in the Dutch business system during the twentieth century and the impact of multinational companies on these changes.[1] A key element in this discussion turned out to be the processes of globalisation and deglobalisation, which greatly influenced the organisation of multinationals and their approach to the national economy. This paper that Royal Dutch Shell responded to the deglobalisation of the interwar years by embedding their local operation companies in the various national economies. Shell continued to support the coordinated market economy in the way it organised its operations and human resources policy during the 1950s till 1980s. However, in the 1980s this national based system came under pressure and in the 1990s Shell changed its organisational structure from a focus on national companies into a business sector approach. Though the personal networks remained, they were strengthened by global systems. The global systems supported the liberal market economy more than the coordinated market economy. The changing structure of this multinational company is a response to the globalisation and at the same time underpins that process of globalisation by global institution building. The experiences of the other major Dutch (or partly Dutch) multinationals confirmed this general picture.

Globalisation and changing business systems

The financial crisis that broke out in the autumn of 2008 has created a renewed interest in the way economies are organised. But long before the financial crisis took place, many people in the Netherlands became concerned about changes in the way their economy was organised with the perceived loss of social coherence and a harsher economic climate. This concern was formulated in terms of increasing American influence on their national business systems, following the discussions about contrast between the more

[1] I would like to thank the members of the Shell team, Jan Luiten van Zanden, Joost Jonker and Stephen Howarth and the Bint-internationalisation team, Ben Wubs, Gerarda Westerhuis en Maurits van Os, for their important contributions to the information and discussions presented in this paper.

inclusive Rhineland model of capitalism and the liberal Anglo-Saxon model.[2] Academics joined the debate by trying to understand the differences between national business systems. Richard Whitley, who argues that national business systems are strong and not likely to converge, defines business systems as particular patterns of organising economic activities successfully in a market economy. These patterns result from and are effective within particular institutional environments.[3] An important contribution to this debate is the 'varieties of capitalism' approach of Hall and Soskice, in which they contrast two extremes, the liberal market economies as portrayed by the US, and the coordinated market economies, of which Germany is the ideal type. They argue that there is a certain coherence and logic between the various characteristics of the system, and that companies in a certain business system will chose strategies that follow the logic of the system and they will therefore strengthen the system by their choice of strategies.[4] However, changes in the system are still possible, only under the influence of strong external shocks in the world economy caused by changes in technology, products and tastes.[5] The rise of internet can be seen as one of those major technological changes.

While agreeing that changes are possible by external shocks, they don't explain the origin of those shocks or the transmission process. According to Mark Casson, in his study *Economics of International Business*, the entrepreneurs and their companies create the necessary flexibility in the international business system, and are therefore responsible for changes. How the changes materialise will depend on social and economic factors. Entrepreneurs are able to change the system, because they can estimate which shocks will take place. These are related to new products and new technologies introduced by the entrepreneurs themselves. Because multinational companies operate worldwide, they can bring together information from different parts of the world, and formulate a coordinated response. Furthermore, he points to the importance of changes in

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[2] Michel Albert, *Capitalisme contre capitalisme* (Paris: Editions du Seuil, 1991).
[3] R. Whitley, ed., *European business systems. Firms and markets in their national contexts,* (London etc.: Saga Publications, 1992), 5: 'business systems are particular arrangements of hierarchy-market relations which become institutionalized and relatively successful in particular societal contexts.'
[4] Peter A. Hall and David Soskice, 'An introduction to varieties of capitalism', in: *Varieties of capitalism. The institutional foundations of comparative advantage*, ed. Peter A. Hall and David Soskice (Oxford: Oxford University Press, 2001), 1-68.
[5] Hall and Soskice, 'Introduction', 62-63.

the composition of national industries for understanding changes in the national business system.[6]

With the debates moving from charting the differences in national business systems to analysing possible changes in those systems, the question arises whether perhaps the American system had undergone similar changes to the ones experienced in Europe. Indeed, it became clear that the American business system itself had changed over time. In his book about the Marshall Plan from 1986 Michael Hogan already argues that the Americans brought the coordinated market economy to Europe after the Second World War, and that it was their main contribution to the European miracle. Side-steping the question whether this claim was true, it is interesting to note that he describes the economic system the US exported as: 'an American brand of corporative neo-capitalism that went beyond the laissez-faire political economy of classical theory but stopped short of a statist syndicalism'.[7] There were still difference between the US and the Netherlands, for instance in the attitude towards cartels and the representation of employees at board level, but the point is that the messages coming from the US changed substantial during the second half of the 20th century. Though Harm Schöter in his book about the *Americanization of the European Economy* focuses on the US influence on Europe he also underlines that in the course of the 20th century America itself became more 'Americanized', more conforming to the ideal type of the liberal market economy.[8]

In 2007, Robert Reich described in his book *Supercapitalism* developments in the US in the same way as we tend to look at recent changes in the Dutch business system. He explains how the US in the 1950s and 1960s experienced an unprecedented prosperity which was widely shared. More people achieved a higher economic welfare than ever before. Inequality in income was reduced by progressive income taxes, good public schools and trade unions bargaining for higher wages. Large companies considered it their duty to take into account the interests of all stakeholders, not just their shareholders, and CEOs were seen as 'corporate statesmen', who judicious balanced the private and

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[6] Mark Casson and Sarianna M. Lundan, 'Conclusion: methodological issues in international business', in: *Economics of International Business. A new research agenda*, ed. M. Casson (Cheltenham, UK: Edward Elgar, 2000), 278-308.

[7] Michael Hogan, *The Marshall Plan: America, Britain, and the reconstruction of Western Europe, 1947-1952* (Cambridge: Cambridge University Press, 1987), 1-3.

[8] Harm G. Schröter, *Americanization of the European Economy. A compact survey of American economic influence in Europe since the 1880s* (Dordrecht: Springer, 2005), 10-11.

public demands. The trade-off for this relatively stable and equitable system was a fairly limited range of choice for consumers and investors. But, according to Reich, this system came to an end somewhere in the 1970s when ‘supercapitalism’ was born. Under the state of supercapitalism consumers got more products at lower prices and investors higher returns on their investment, but as citizens seeking the common good these same consumers and investors lost out. The result was more job-insecurity, increasing inequalities of income, less regulations and more global warming.[9]

What were the drivers that changed the system? Reich argues that the change in the system began when technologies developed by government to fight the Cold War were incorporated into new products and services. This led to a revolution in international communications with regard to transport (containers) and the flow of information (IT). As a consequence, the large national companies experienced fierce international competition, often from US companies themselves, who reduced production costs by creating global supply chains. The changes were not caused by people with bad intentions but by changing structures, and a solution should be found in more democratic control over the economy, according to Reich.[10] If we follow the arguments of Reich, than the discussion about changing business systems is not simply a matter of Europe following the US, but of both systems being changed by a third set of factors. Of these factors, globalisation stands out.

In this context it is important to point out that globalisation is not a new phenomenon, but that over the course of the twentieth century there were processes of globalisation and deglobalisation at play. The term globalisation is used here in the way economics tend to interpret is, as a process in which commodity, labour and capital markets as well as consumer markets and technology become integrated on a global scale.[11] The nineteenth century saw the rise of the first ‘golden age of globalization’, as Findlay and O’Rourke term it. They explain it as the culmination of the Industrial Revolution, which brought technologies to speed up trade and increase the economic interaction between all the worlds’ regions. Though at the end of the nineteenth century,

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[9] Robert B. Reich, *Supercapitalism. The Transformation of Business, Democracy, and Everyday Life* (New York: Alfred A. Knopf, 2007), 15-49.
[10] Reich, *Supercapitalism* , 50-87.
[11] Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson, *Globalization in Historical Perspective* (Chicago and London: University of Chicago Press, 2003), introduction.

they see the first signs of a backlash against globalization in the form of tariffs and measures against immigration, these measures did not yet impact on the rapid growth of world trade and the integration of commodity markets.[12] Equally buoying were the capital markets, according to Obstfeld and Taylor. As more and more countries adopted the gold standard a flourishing global capital market developed with London as its undisputed centre. No protectionist measures hindered the movement of capital from country to country.[13] The First World War brought this global economic integration to an abrupt end. The attempt to recreate the prewar globalization in the 1920s failed because of the disruptive consequence of the depression of the 1930s, and the subsequent Second World War. Protectionist trade measures abounded, and financial market became closely regulated. While international trade between the OECD countries resumed after the Second World, the world economy as a whole showed further disintegration as a consequence of the Cold War and the process of decolonization. This was true for trade and even more for the capital markets. Seeing unregulated capital markets as the cause of the 1930s depression, governments restrained private capital movements. The 1970s formed again a turning point. After the introduction of floating exchange rates in the industrial countries, governments reduced or lifted capital account restrictions. In the 1970s and 1980s Latin America, Asia and Africa started to open up to trade and investment with the rest of the world, and during the 1990s this process accelerated. The 1990s ratio of world trade to GDP became higher than ever before, and the same was true for the ratio of foreign direct investment to GDP. A second age of globalisation had materialised.[14]

According to Djelic and Quark, the present globalisation is different from earlier globalisation. The late nineteenth century globalisation was based on personal networks: ‘reflecting friendships, deeply embedded trust and even kinship or family links’. The recent period of globalisation is based on increasing ‘formalization, structuration, codification, standardization and depersonalization of the rules of the game in the

[12] Ronald Findlay and Kevin H. O'Rourke, *Power and Plenty. Trade, War, and the World Economy in the Second Millennium* (Princeton and Oxford: Princeton University Press, 2007), 425-428.
[13] Maurice Obstfeld and Alan M. Taylor, *Global Capital Markets : Integration, Crisis, and Growth* (Cambridge: Cambridge University Press, 2004), 23-33.
[14]Findlay and O'Rourke, *Power and Plenty* 471-473, 525-526; Obstfeld and Taylor, *Global capital markets* , 26-42, 158-163.

transnational space.' Djelic and Quack argue that globalization is not only about adaptation and change of national institutions. It is also about institution building in the transnational arena. Who are involved in this process of transnational rule making? In the first place state agencies and a small number of elite personal networks are involved, but further more private corporations, business or professional associations, unions, NGOs, consumer or citizens' groups.[15]

Multinational companies support globalisation of markets through internalising both production and services, but what is their influence on national business systems? This theme has been addressed by a set of authors from the national business system school in a volume on the *Multinational Firm*, first published in 2001, and edited by Glen Morgan, Peer Hull Kristensen and Richard Whitley. In the introduction Morgan poses the question: 'what happens when a firm organizes across institutional and national divides'? Their working assumption is that the result will *not* be convergence towards a single model of the 'global firm', but rather continued diversity and divergence between firms from different institutional contexts.[16] In his contribution to this volume, Whitley confirms this assumption. He argues that for multinational companies to have any impact on the national business systems of either host or home country, they should first develop strong global organisational properties and capabilities themselves. In potential they could develop new organisational structures, in particular in cases where they are confronted with different national business systems. But in reality, they are unlikely to do so, according to Whitley's analysis. Multinational companies from distinctive and cohesive business systems, such as the German or Japanese system, tend to seek collaboration abroad with companies from their own country, and as a consequence their interaction with the host country will be limited. On the other hand, companies from countries with arm's length coordination such as the US will manage their overseas operations in the same arm's length way, limiting themselves to financial steering, and as a consequence have also little impact on the host economy. In either case, the

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[15] Marie-Laure Djelic and Sigrid Quack, 'Introduction: Governing globalization - bringing institutions back in', in: *Globalization and Institutions. Redefining the Rules of the Economic Game*, ed. Marie-Laure Djelic and Sigrid Quack (Cheltenham, UK: Edward Elgar, 2003), 1-14.

[16] Morgan, Glenn, 'The multinational firm: organising across institutional and national divides', in: *The Multinational Firm; Organising Across Institutional and National Divides*, edited by Glenn Morgan, Peer Hull Kristensen, et al., 27-68. Oxford: Oxford University Press, 2003, 1.

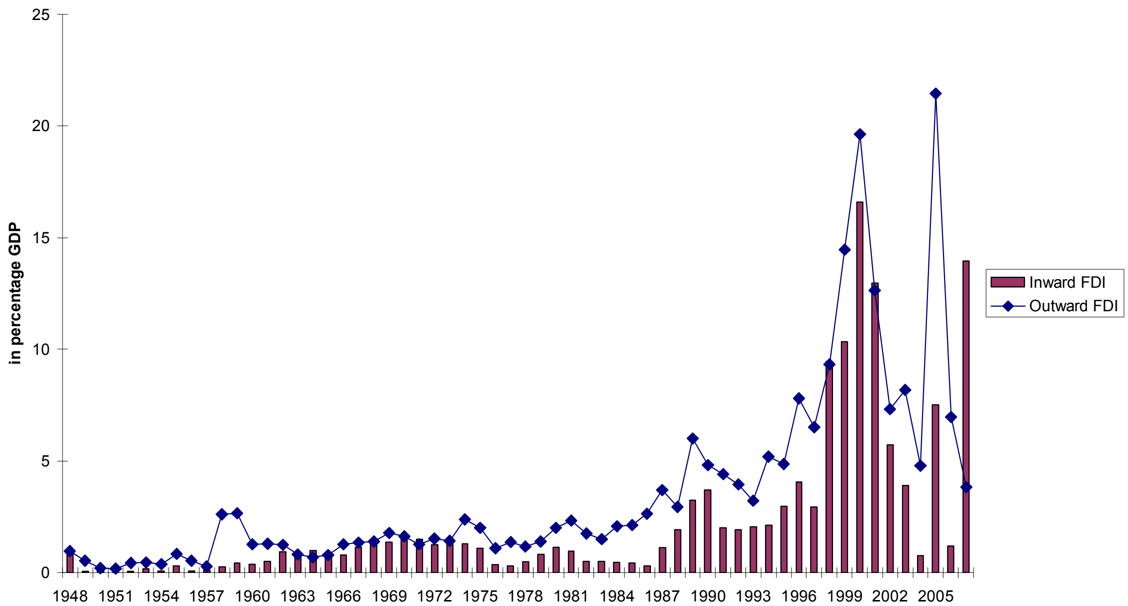
multinationals may become organisationally more complex, but are unlikely to develop new global institutions that subsequently will contribute to the change of national business systems.[17] This article will argue for a different conclusion on the basis of the history of Royal Dutch Shell. It shows important shifts in its approach from one based on national considerations towards one aimed towards global institution building, underpinning the general process of globalisation.

Royal Dutch Shell and its response to fragmented markets

For countries with an open economy such as the Netherlands the study of multinational companies in relation to its national business system is particular relevant. For much of the 20th century the Netherlands belonged to the world's top foreign direct investors. In ranking it always stood after the US and the UK, but in the mid-20th century it moved ahead of most other European countries, and in other periods it easily belonged amongst the top ten.[18] Its position in inward foreign direct investment grew in importance during the 20th century. Figure 1 shows the growing importance in the Netherlands of both inward and outward investment at the end of the 20th and the beginning of the 21st century.[19]

[17] Richard Whitley, 'How and why are international firms different? The consequences of cross-border managerial coordinaton for firm characteristics and behaviour', in: *The Multinational Firm: Organising Across Institutional and National Divides*, ed. Glenn Morgan, Peter Hull Kristensen, and Richard Whitley (Oxford: Oxford University Press, 2003), 27-68.
[18] Geoffrey Jones, *Multinationals and Global Capitalism. From the Nineteenth to the Twenty-first Century* (Oxford: Oxford University Press, 2005); Keetie E. Sluyterman, *Dutch Enterprise in the Twentieth Century. Business strategies in a small open economy* (London and New York: Routledge, 2005).
[19] Source: M. van Nieuwkerk and R.P. Sparling, *De betalingsbalans van Nederland: methoden, begrippen en gegevens (1946-1985)*, Monetaire monografieën, nr. 7 (Deventer: Kluwer, 1987); *Annual Reports De Nederlandsche Bank*, 1985-2007 (www.dnb.nl); CBS, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Voorburg: CBS, 2001); www.cbs.nl.

Figure 1: Dutch inward and outward foreign direct investment



Particular striking in the FDI-figures is the huge increase of both inward and outward direct investment during the 1990s, and the volatility of these figures in the 21st century. The unprecedented rise in outward investment in 2005 is caused by the unification of Royal Dutch Petroleum Company and "Shell" Transport and Trading. The company Royal Dutch Shell Plc.is incorporated but headquartered in the Netherlands, and the unification was therefore treated as a Dutch acquisition of a British company.

The company Royal Dutch Shell was formed in 1907 through the 'merger' of Royal Dutch Petroleum Company (60%) and "Shell" Transport and Trading Company (40%). To be precise, all the activities were merged by the creation of jointly held holding companies, but for tactical and fiscal reasons the two parent companies remained in place as two separate entities until 2005. The enterprise as a whole was often addressed as Royal Dutch Shell, or the Royal Dutch Shell Group of companies, or simply as Shell or the 'Group'. The enterprise had been founded during the first period of globalisation, and its activities were right from the beginning spread over the world, ranging from the Far East to the Americas. As such, it was the product of the first global economy, and in turn contributed to the globalisation of markets by moving oil and oil products from one country to the next. The Group was active in all aspects of the oil industry, from exploration and production, to manufacturing, trading and marketing, and from the 1930s onwards to petrochemicals. By and large their activities were integrated, though they could also sell oil they hadn't produced themselves or refine oil they had purchased from third parties. Already in the early years, the Group employed people from many different national backgrounds.[20]

Until the Second World War, Shell had organised its activities abroad by sending over managers from Europe. Outside Europe, USA and Mexico, almost all posts of responsibility were held by expatriates recruited in Europe. It seemed self evident that managerial positions abroad were filled by managers from the home countries (Great Britain and the Netherlands), and it was equally self evident that those managers earned salaries based on their home salaries, which in most cases were much higher than the local salaries.[21] Confronted with decolonisation after the Second World War, in particular in Asia, Royal Dutch Shell had to rethink its personnel policies. Aware of the ambitions of decolonised countries to create their own national management, Shell had to focus more attention on training and promoting local staff. In the former Dutch colony Indonesia, Shell developed a programme to select promising local people, offer them training, or a study abroad, or a position outside their own country. In 1955 thirty Indonesians studied at universities in the Netherlands or Indonesia with Shell grants, and on average fifteen Indonesians received a training abroad. As a result, a number of Indonesians found management jobs, but mostly in marketing. It was more difficult to find jobs for them in exploration, production or refinery, because the demand for technical knowledge and experiences was higher. The Indonesian government found the pace in which local management was brought in, far too slow. Shell was aware of the criticism, but was of the opinion that the company should strike a balance between overhasty advancement of promising young nationals and a rate of so cautious as to lose credibility.[22]

Loyalty to the company was considered important. Management liked to think in terms of the 'Shell family'. Some Shell managers wondered if they could expect a similar

[20] Joost Jonker and Jan Luiten van Zanden, *From Challenger to Joint Industry Leader*, vol. 1, A History of Royal Dutch Shell (Oxford: Oxford University Press, 2007), 90-99.
[21] Shell London Archives (SLA), Boxes HR, internal report 'Shell and its staff', 1959, written by A.P. Blair, Shell's Head of Recruitment Division, January 1959, 16-20.
[22] SLA, Boxes HR, internal report 'Shell and its staff', 1959, 16-20; SHA, 1742, Resume of conference with H.E. Minister Kasimo (Economic Affairs), 13 dec. 1955; SHA, 1910, file about Indonesianisatie.

loyalty to the company from Indonesians: ‘My worry in this connection is to what extent we shall succeed in inducing into our Indonesian senior staff that sense of loyalty to the Group which is so essential and to which we attach such great value’.[23] Some of the elderly Dutch managers found it difficult to adapt to the arrival of Indonesian employees at management level, who had different ways of communicating. The frictions could be solved by giving the Dutch managers new positions elsewhere in the Group. These staff movements happened in any case, because of the political situation. As a consequence of the increasing political tensions between the Dutch and Indonesian governments in the mid-1950s, Shell decided to replace part of the Dutch staff in Indonesia by British staff or employees from other countries.[24]

Training local people for managerial positions made good business sense, because using expatriates was expensive. For that reason: would the ultimate aim be to replace all expatriates by local management? Shell decided that this was not the case. It would be more advantageous to continue circulating a group of expatriates through the world wide enterprise. Such a group of international managers would develop a common pattern of thought, advance the interchange of experience and know-how, and constitute a world-while pool of managers on which the company could draw. This pool of international managers created the informal coherence within the vast enterprise. Therefore it was considered important that in any country at least one expatriate would be present at board level, while at the same time some local managers should gain experiences while working outside their own country.[25]

By the end of the 1950s Shell directly employed 270,000 people in more than 150 countries, so it had the possibility of moving staff flexibly according to political or social requirements. It is striking that at that moment in time Shell’s Committee of Managing Directors (CMD, the highest board level of the enterprise) expected the world to become more fragmented not less. For that reason local embeddedness of the its international subsidiaries was considered important: ‘with the development of nationalism in many countries, and with independence being granted to more and more colonial territories,

[23] Shell The Hague Archives (SHA), 1907, letter Hilling to Schepers, 19 dec. 1954.
[24] Stephen Howarth and Joost Jonker, *Powering the Hydrocarbon Revolution*, vol. 2, A History of Royal Dutch Shell (Oxford: Oxford University Press, 2007), 225-240.
[25] SLA, Boxes HR, internal report ‘Shell and its staff’, 32-33.

there was an increasing need for General Managers in overseas countries to establish themselves there, and to become proficient in local languages.'[26] These General Managers were often expatriates, but they were expected to learn the local language and take local interests into account.

In the 1950s, Shell also addressed the lingering problems related to its internal organisation. The Group had always given the local operating companies a great deal of autonomy for fiscal reasons and to encourage local entrepreneurship. Central offices wrote to the operating companies in terms of 'suggestions' rather than instructions. Proposals by operating companies were not so much agreed upon as well 'supported'. But if the proposals were not supported, the local managers knew they were wise not to proceed. Like all international companies Shell had to strike a balance between decision taking at central offices or at the level of local companies, and between coordination through businesses or national organizations. Moreover, for historical reasons the central offices were spread over two cities in two different countries, in The Hague and London, and the division of labour between the two offices was far from clear cut. These three problems needed to be addressed. In 1955 the Shell's Committee of Managing Directors (CMD) rationalised the central office organisation by nominating coordinators (a kind of vice-presidents, reporting to the CMD) for the various business functions, such as supply, exploration and production, manufacturing, marketing, chemical and finance. At the same time the line management was based on geographical areas. The question arose to whom the operating companies had to report and were accountable.[27]

To have the benefit of an outsider's view, and one that would be neither Dutch nor British, the CMD invited the American consultant McKinsey to study their organisation structure and come up with recommendations. However, the Chairman of the CMD, John Loudon, told McKinsey from the outset that the two central offices in The Hague and London were not debatable. The fine-tuning of the organisation by McKinsey resulted in the creation of two divisions, oil and petrochemicals. It was the standard recipe of McKinsey for large organisations, though in the Shell case, this was not really the essence of the reorganisation, and moreover, the petrochemicals division

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[26] SLA, Committee of Managing Directors (CMD) files S12, Personnel, 1957-1962, 19 Feb. 1959.
[27] Howarth and Jonker, *Powering* , 137-139

remained subordinated to the oil division for the time being.[28] The real issue at stake was how to combine the functional and regional reporting lines. This problem was solved by establishing at central office a number of regional coordinators alongside the functional coordinators. The operating companies were accountable to the regional coordinators, who represented a vertical line from managing directors to the managers of the operating companies. In contrast the functional coordinators had a horizontal (advisory) line with the managers of operating companies. The managing directors in the CMD had both functional and regional coordinators reporting to them. The matrix structure presumed consultation between the coordinators before plans were brought up to the CDM. Thus all plans were carefully weighted before the CMD had to consider them, and consequently the CMD had more time available to devote to more strategic decisions.[29]

The matrix structure as applied to the Shell organisation in 1959 seemed to be a logical response to a still largely fragmented international economy, where newly established nations gave high priority to the economic advancement of their own country. On the one hand, Shell tried to become locally embedded, while on the other hand maintaining a strong international character. The Group proudly pointed out in its annual report of 1969 that it employed people with sixty different nationalities worldwide, and that the central offices alone housed already forty different nationalities. Foreign nationals had been able to enter the core group of about 5,000 expatriates.[30] But despite this variety, most expatriates in Shell were either Dutch or British. In 1960 Dutch and British expatriates made up 87 per cent of the total group on international staff, and in 1970 that share was still 78 per cent.[31]

From the late 1960s onwards, the governments of oil exporting countries began to push international oil companies for a greater share in the oil production in their countries. In particular after the first oil crisis in 1973, the relationship between the two

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[28] Christopher D. McKenna, *The World's Newest Profession. Management Consulting in the Twentieth Century* (Cambridge: Cambridge University Press, 2006): 176-181; McKenna's description of the reorganisation suggests that the introduction of the petrochemicals division is the core of the reorganisation, while in my view it is the introduction of the matrix structure, balancing geographical and functional reporting lines. McKinsey did not have to sell the idea of decentralisation to Royal Dutch Shell, because it was already decentralised.

[29] Howarth and Jonker, *Powering* , 140-148.

[30] *Royal Dutch Annual Report* 1969, 14-15.

[31] Keetie Sluyterman, *Keeping Competitive in Turbulent Markets, 1973-2007*, vol. 3, A History of Royal Dutch Shell (Oxford: Oxford University Press, 2007), 265.

parties changed dramatically with national governments of oil exporting countries stepping up their participations in the oil concession in their own countries from a modest 25 per cent to 50 per cent and then moving to some 70 per cent or even complete nationalisation. For the time being the international oil companies remained involved in the production and marketing of oil, because they still had the access to markets, but they became more dependent on national governments.[32]

The greater role national governments began to play in their national oil industry reduced the integration of the activities of the oil majors such as Shell. In reaction, Shell expected its downstream operations to act more independently and take responsibility for their own profits. This change seemed to demand organisations that were less hierarchical and more organised from bottom up. Moreover, employees were seen as important stakeholders in the company. Discussing the merits of diversification outside the oil industry in the late 1960s, the CMD argued that a company had a life of its own and that senior management had the mandate to manage shareholders' funds in such a way that the interests of employees as well as shareholders and the community at large were taken into account. Shareholders did not necessarily come first.[33] This point of view continued throughout the 1970s. The CMD considered profits as necessary for Shell companies to stay in business, but not as a goal in themselves, the company was not working for its shareholders alone but for all the relevant stakeholders, including the national governments. Though its markets were international, the Shell operating companies were firmly embedded in the local economies. This approach as well as the internal organisation and staff policy came under pressure in the 1980s.

Shell responding to vocal shareholders and global markets

The liberalisation of financial market and changes in national regulations regarding the financial sector, in particular in the US, changed the relationships between companies and their shareholders. Financial raiders in the US demonstrated that they could and would make or break a company if management did not achieve the perceived maximum share

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[32] Sluyterman, *Keeping Competitive* , 31-35.
[33] SLA, CMD files, DCS, S 65, Minutes CMD, 4 May 1971.

price. For them a company was not a personality of its own, but a bundle of assets to be managed to the best advantage of the investors. In the wake of the action of the financial raiders, shareholders became more critical of the performance of managers. They could raise their voice louder because shareholders were no longer a large and anonymous group of individuals but consisted in part of strong institutional investors such as pension funds. Shell responded by putting underperforming assets up for sale, including most of the assets acquired in the context of the diversification strategy, and by launching reorganisation programmes to cut down costs and reduce the number of employees. It was unfortunate for the oil industry that shareholder pressure increased just when oil prices went down, making it harder for management to please the shareholders.

In 1986 the oil price collapsed and more cost cutting became necessary. After a round of discussions with senior management, the CMD initially accepted the conclusion that the matrix structure was still the right structure for the company. The outcome was not entirely surprising as the chairman of the CMD, Lo van Wachem, passionately believed in the great value of devolved management responsibility resting in the national operating companies: 'The local operating company, be it Deutsche Shell or Shell Chile, is the cornerstone of our operations as we believe that local management is best placed to make the most appropriate decisions in the local business environment', he told the members of the German Society of Business Economics in 1992.[34] But local management had to go hand in hand with unifying forces. The expatriate postings formed one of the important factors in creating unity.[35] Expatriation continued to serve two important goals. It contributed to local embeddedness and it created a core group of managers who knew each other and could rely on each other.

In the early 1990s the Shell global scenarios highlighted two important changes in world history. The collapse of the Soviet Empire brought to an end the framework of international affairs in place since the Second World War. At the same time the world realized, according to the scenarios, that authoritarian political regimes and centrally planned economies simply did not work. In the rich countries as well as in Latin America and Asia, privatisation and deregulation were the order of the day. Political liberalisation

[34] Lo van Wachem, 'Unity in diversity - organisation and people in multinational enterprises', (paper presented at the German Society for Business Economics conference, Berlin, 13 October 1992).
[35] Wachem, 'Unity in diversity', .

went hand in hand with economic liberalisation. Two years later, in 1994, the Shell scenarios concluded that the powerful forces of liberalisation, globalisation and technology were there to stay. No alternative economic or ideological model could compete with the emerging global consensus about the value of open markets and the necessity for macroeconomic prudence. The scenarios concluded that the world had learned in the 1990s that 'There Is No Alternative' to adapting to these powerful forces: 'TINA is a rough, impersonal game, involving stresses and pressures akin to those of the Industrial Revolution. Under these pressures, some people will do well – the knowledge elites, for example, who can seize opportunities whenever and wherever they arise. But others, who are not so entrepreneurial or well educated, feel the pressure of job insecurity, and income inequality grows in almost all developed nations. Precisely because "There Is No Alternative", people in many parts of the world fear a growing loss of control over their destinies and also fear that the lives of their children will be more difficult than their own.' Refusing to play the game, however, was no alternative in the vision of the Shell scenarios. 'The issue is, therefore, not whether a country or company can refuse to play the game – but what is the best way to play it? What are the strategies necessary for success?'[36]

Under the pressure of the forces of liberalisation, globalisation, and technology, the dynamics of the business had changed. New companies, in particular the internet companies, showed double digit growth. On top of that, new competitors entered the arena: the 'low-cost, nimble-footed' competitors such as Enron. Was the Shell Group still in tune? Cor Herkströter, who became the chairman of the CMD in 1993, had a completely different view than Van Wachem. He concluded that the internal organisation needed a thorough overhaul. The CMD set up a team to review the role of the central offices and enlisted, once again, the support of two consultants from McKinsey. The first concern was that the service provided by the central offices were not always those desired by the businesses. The service providers were regarded as dictating to the operating companies and as charging excessively for their services.[37] It was expected that reduction of the number of organisational layers would reduce costs and make the organisation

[36] Shell Global Scenarios 1992-2020 and Global Scenarios 1995-2020.
[37] SLA, SC 98, Service companies review and transformation, 1995-1997; SHA, Minutes Conference, 14 Dec. 1994, 11 Jan. 1995, 8 Feb. 1995.

more flexible and responsive to the market. But the trend towards globalisation seemed to demand more drastic changes in the whole organisation. The operating companies would remain the ‘building blocks’ of the Group, but they would be defined according to their business instead of their nationality. The emphasis in the central offices would shift away from the national and regional organisation towards five worldwide businesses (except for North America): Exploration and Production, Oil Products, Chemicals, Gas, and Coal. So, this time the matrix structure was finally abolished. The financial pressures demanded a more efficient, cost-effective organisation. In a globalising world the traditional local embeddedness seemed less relevant than before, and the information technology offered other ways of communication between the central offices and the local companies.

At the same time, the relationship between the company and its employees changed. No longer were employees treated as important stakeholders in the company. Instead they were seen as valuable people who might join the company for a shorter or longer time and then move to other companies. For instance, to reduce overheads, the reorganisation aimed at reducing the number of employees at central offices by 30 per cent.[38] During the 1990s the worldwide number of employees went down from 137.000 in 1990 tot 90.000 in 2000.[39] The company did no longer offer job security for all, but instead offered ‘innovative payment structures’ to reward high-level performers, and training and development of skills to increase the individual’s value on the labour market.’[40] In Dutch society performance related payments for large number of employees formed a new element in labour relations. Other companies in the Netherlands followed a similar remuneration policy. While in the previous decades incomes had become more equal, during the 1990s the opposite happened and the disparity in incomes increased again.[41]

Shell’s reorganisation of the mid-1990s did not bring an end to the system of expatriates, but it became more difficult than in the past to find employees willing to serve outside their own country. The life of the expatriates had lost some of its glamour

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38 *Shell World*, April 1995.
39 *RD Annual Reports*, 1990-2000.
40 *RD Annual Report* 1994.
41 Willem Trommel en Romke van der Veen, *De herverdeelde samenleving. Ontwikkeling en herziening van de Nederlandse verzorgingsstaat* (Amsterdam University Press, 1999), 271-273.

when international travel became easy and affordable to many. Moreover, spouses often wanted to pursue their own careers, and parents were more reluctant to send their children off to boarding school. One might have expected that the easier communication made possible by internet would reduce the importance of expatriates, but Shell continued to make use of them. Consistent efforts were made to find ways of reducing the negative aspects of expatriation.[42] During the 1990s the group of expatriates became more international. In 1988 no more than 26 per cent of expatriates had other nationalities than Dutch or British. In 2001 this percentage had risen to 37. In another respect the group also became more diverse: the number of female expatriate employees doubled from 4 per cent to 8 per cent (excluding Shell school teachers).[43]

By removing the regional structure during the mid-1990s, some of the former coherence in the enterprise disappeared. More generally, in the 1990s the trend had been towards fragmentation and lowering responsibilities in the organization: this led to some successes locally, but also to developments that were ill aligned. In the business sector Exploration and Production, local decision making encouraged a reduction in risk taking, because the risk was measured against the local budget, not the international budget of Shell. To counter these negative effects of fragmentation, the business sector introduced a new global business operating model in 2004. This involved standardising and simplifying the business processes to increase learning and speed up action.[44] In addition, the global model made it easier to tackle huge, complicated and expensive projects, the kinds of multi billion dollars projects that only large integrated oil companies could undertake.[45] This way Shell could better profit from its size.

As was the case with Exploration and Production, the business sector Oil Products made its organisational structure more global. First Shell set up a number of regional organisations such as Shell Europe Oil Products. The formation of regional organisations made it easier to coordinate the closure of small refineries. Next the regional organisations were integrated in one global organisation. Part of the globalisation process

[42] Shell Outpost Family Archive Centre, Outlook Expatriate Survey: summary of findings and summary of changes; *Shell World*, Feb. 1995.
[43] SLA, Boxes HR, regional & international staffing study (around 1989); *Destinations*, number 21, December 2001.
[44] *Shell World*, July 2003, 19-21.
[45] Jeroen van der Veer, 'Shell's strategy to fuel the future', (paper presented at the IMD CEO Roundtable, Lausanne, 11 November 2005).

included streamlining the supply chain through standardisation of processes and systems. The local embeddedness of Shell's retail organisation had led to the mushrooming of different ways in which Shell and those who owned or operated the service stations ran their business. In 2005 Shell calculated that it had around fifty different business models and the aim was to reduce that number to four. The number of IT applications involved in business-to-business transactions had to be reduced from 460 to around 50. Shell warned its employees: 'Pleading for exceptions is a thing of the past'.[46]

The tightening of global rules took also place in the area of corporate social responsibility. In the early 1960s Shell's CMD circulated memoranda among the senior executives in which the long-term aims of the Group were set out, and some rules of behaviour were made clear. In 1976 the CMD drew up a 'Statement of General Business Principles', and after internal discussion the regional coordinators presented these rules to the local operating companies with the following recommendation: though there could be no modification of standards on such fundamentals as attitudes to bribery and the integrity of accounting records, other principles were for guidance, and could be 'properly interpreted or expanded by operating management in accordance with their own judgement of their social responsibility as seen locally'.[47] Over the years Shell updated its Statement of General Business Principles, and moved to greater emphasis on business controls and effective compliance with tighter rules and reporting requirements. The global presence of non-governmental organisations (NGOs) such as Greenpeace, Friends of the Earth and Amnesty International required an equally global response.[48] When Shell re-launched the business principles in 1997, the right to express support for fundamental human rights was included, and local exceptions to the rules were no longer deemed necessary or acceptable.[49] A final small but telling signal of greater global integration was the introduction of the European-styled Shell-pecten to the USA in 2000. Up till that moment Shell Oil, the US subsidiary, had used a slightly different, and less abstract, version of the Shell pecten.[50]

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[46] *Shell World*, May 2005, 10
[47] SLA, PA 34, letter to Shell companies 100% owned from regional coordinators.
[48] W.J.M. van Geneugten et al., *NGO's als "nieuwe toezichthouders" op de naleving van mensenrechten door multinationale ondernemingen* (Amsterdam: Boom, 2004), 1-3; 9-19.
[49] Shell The Hague Archives, 190 Y, 881, memoranda 12 August 1994 and 27 May 1997.
[50] *Shell News*, November 1999.

By introducing global business units and global systems, Shell responded to the processes of globalisation and at the same time underpinned those processes. This development implied less room for national variations, though it is not easy to pinpoint the impact on national business systems. A greater role for shareholders, a greater acceptance of flexible labour relations and more performance related pay are three elements that took shape within Shell worldwide, including in the Netherlands, and that constituted a change in Dutch labour relations during the 1990s.

Comparison with other Dutch multinationals

The experiences of Shell were comparable with those of other Dutch or partly Dutch multinationals. Three related changes stand out. First, the organisational structures changed from a focus on countries to a focus on global business units; second, the company was no longer seen as a vehicle to serve the interests of all its stakeholders, but as a bundle of assets to create shareholder value; third, employees were no longer seen as the most important stakeholders of the company but as a flexible resource whose main task consisted of adding shareholder value. The pay of the senior management became more and more directly related to that goal.

In the mid-20th century Dutch multinationals tended to have a decentralised organisation based on national boundaries. Subsidiaries in the various countries were given a great deal of local autonomy as well as a great measure of local identity. This strategy had been useful in times of protectionism in the 1930s and during the Second World War. National autonomy persisted in the 1950s and 1960s, particularly in companies such as Philips and Unilever that produced locally for local demand.[51] In the 1980s they moved to global systems based on business sectors rather than national boundaries.

The Philips concern was seen as an ‘industrial democratic world federation’. The various national organisations, in which the Philips subsidiaries in each country were brought together, kept their considerable local autonomy, though they were also required to remain loyal to the company as a whole. In the organisational structure introduced in

[51] Sluyterman, *Dutch Enterprise* , 173-179.

1946, product and national coordination stood on an equal footing. In practice, the national organisations were able to retain their independence, reducing the product coordinators to a predominantly advisory role. Not only were products adjusted to local taste in order to satisfy local consumers, but national organisations were also embedded in the business systems of the countries in which they were working, assuming some of their characteristics. This decentralisation worked well as long as markets were fragmented, as was the case in Europe but also in Latin America, where Philips set up many factories in the 1950s. Latin America attracted considerable investment as a consequence of its import-substituting policy. Philips' factories in Australia and India too worked predominantly for local markets.[52]

To describe the organisation of Unilever Fieldhouse also used the word 'federation'.[53] Within the Unilever concern, national organisations had a great deal of autonomy, a tendency strengthened by the Second World War. This was particularly true for Unilever's operations in the US. Despite the fact that its once flourishing businesses in the US began to fall behind the performance of its main competitors after 1945, Unilever maintained an arm's length relationship with its US affiliates, leaving them entirely under American management. According to Geoffrey Jones, Unilever in general lagged behind the competition in the post war years, especially in detergents. He blamed this, among other reasons, on the company's business culture that viewed making profits as only one of several considerations.[54] In the 1960s Unilever introduced a system of 'product co-ordination'. The big issue was whether the local or the product organisations would play the main role in decision making. In 1966 the accent was finally placed on the product organisation, at least in Europe. However, local management kept a large measure of freedom, and that was certainly true for the US as well as for developing

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[52] I.J. Blanken, *Een industriële wereldfederatie*, vol. 5, Geschiedenis van Philips Electronics N.V. (Zaltbommel: Europese Bibliotheek, 2002), 15-19, 199-222.
[53] Ch. Wilson, *Unilever 1945-1965; challenge & response in the post-war industrial revolution* (London: Cassell, 1968), 37-41; D.K. Fieldhouse, *Unilever Overseas. The anatomy of a multinational 1895-1965* (London, 1978), 563-565.
[54] G. Jones, 'Control, performance, and knowledge transfers in large multinationals: Unilever in the United States, 1945-1980', *Business History Review* 76 (2002): 435-478.

countries. AKU also underlined the national identity of its foreign subsidiaries, many of which had outside shareholders in any case.[55]

The Dutch multinationals were slow to explore the potential advantage of one coherent European market, perhaps because this process of integration moved forward so slowly. Franko, who studied the European multinationals, concluded that reallocation of production did not seem to be a major preoccupation for most continental firms prior to 1971.[56] When in the 1970s Philips and Akzo tried to create a greater European integration of the production facilities, they met with fierce opposition from governments and trade-unions, which wanted to the safeguard national employment.[57] The most independent of all were the US subsidiaries of the Dutch multinationals. The physical distances in America, its large and complex market, the size of subsidiaries in comparison to their mother companies, the different company laws and in particular the opaque US anti-trust laws all contributed to the fact that the US subsidiaries behaved like separate kingdoms. No doubt the distinct feeling that America had a leading position in the world further encouraged this independence. [58]

The strategy of competing globally required a stronger coordination at the level of business units rather than the traditional national organisation. Unilever, Philips and Akzo all worked hard to get more grip on their US businesses. From the mid-1970s Unilever reasserted control over its failing US businesses. Loss-making activities were divested and entirely new ventures, sometimes with exactly the same activity, were bought. The company no longer hesitated to send in European managers to sort out problems in the US. At the same time the global company obtained better access to innovation and knowledge available in the US. In this process of restructuring, the US businesses became fully integrated in Unilever's worldwide structures. Unilever also

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[55] M. Dendermonde, *Nieuwe tijden, nieuwe schakels: de eerste vijftig jaren van de A.K.U.* (Arnhem, 1961), 167-175.

[56] L.G. Franko, *The European multinationals. A renewed challenge to American and British big business* (London/New York, 1976), 134-144.

[57] Blanken, *Industriële wereldfederatie* , 259-262, 300-303; B. Klaverstijn, *Samentwijnen. Via fusie naar integratie* (Arnhem, 1986), 93-140.

[58] This certainly was true for Philips North America and Unilever in the US: I.J. Blanken, *Onder Duits beheer*, vol. 4, Geschiedenis van Philips Electronics N.V. (Zaltbommel: Europese Bibliotheek, 1997), 253-358; M. Metze, *Kortsluiting: hoe Philips zijn talenten verspilde* (Nijmegen: Sun, 1991), 36-54; see further of foreign investment in the US: G. Jones and L. Gálvez-Muñoz, eds., *Foreign multinationals in the United States, management and performance,* (London and New York: Routledge, 2002).

reorganised its many fragmented production units in Europe in order to achieve a more favourable scale. [59] In 1982 Akzo acquired all the remaining shares of its US subsidiary Akzona in order to integrate its activities in the pharmaceutical and specialty chemical fields world-wide.[60] Otherwise, the company had already introduced a multi-divisional structure in 1970, when AKU and KZO merged into Akzo. The majority of shares in Philips' main subsidiary in the US, North America Philips Corporation, were still in the hands of the US Philips Trust, set up just before the Second World War to keep this part of the business out of German hands. The Trust had a large measure of independence from Philips. In 1987, after legal skirmishes, the Trust was ended. At the same time, Philips bought out the remaining shareholders of the North America Philips Corporation, taking full control of its US activities.[61] Ending the independent position of the US affiliates made it easier for Philips and Unilever to move from a national based organisation to one focused on business units. For Philips this was a problem of long standing, because in the past their local embeddedness had been one of their strengths. However, national variations in product specifications and marketing were no longer considered desirable in the developing global market. The same products should be marketed worldwide, and produced wherever it was most advantageous to the company. This strategy led to a major shake-up of the company in the late 1980s, when the business (product) organisations at long last triumphed over the national organisations.[62]

In the 1980s and 1990s the relationship between managers, employees and shareholders changed substantially. Shareholders or their representatives kept a closer watch over company performance and put greater pressure on its top management. In the 1950s and 1960s, senior managers had underlined their broader responsibilities to take care of the interests of all stakeholders, including employees, customers, shareholders and society at large. Illustrative of this attitude is a quote from P. Kuin, member of the board of Unilever, who in 1966 addresses a group of young managers: 'Management are in charge of the great process of transforming natural resources and human energy into useful goods and services. (..) Managers should not voice the view of other groups, such

[59] Jones, 'Control, performance', , 472-476.
[60] Annual Report Akzo, 1982.
[61] Metze, *Kortsluiting* , 36-54.
[62] Annual Reports Philips, 1985-1990.

as investors or tax payers. These can take care of themselves. Above all, management should never take up the cause of the rich against the poor, the privileged against the masses, the private against the public good. This is a confusion of social roles fatal to management prestige. However dear the rich may be to some of us – for instance as potential providers of capital – management has its own cause to serve, and that is the preservation, expansion and improvement of the nation's economy. The more management concentrates on this task, and is seen to concentrate on it, the greater its authority.'[63] As companies' strategies moved from internal growth to buying and selling companies, managers had to take note of the financial markets as the share price of their company became an important instrument in those acquisition strategies. In the 1990s they placed great emphasis on the increase of shareholder value as the most important criteria to judge their performance. Though managers and shareholders were obviously aware that the long-term interests of the shareholders were best served with a broader stakeholder approach, and for that reason the contrast should not be exaggerated, there was undeniably a shift in emphasis both in verbal expressions and in actions. Important in this context was the introduction of reward systems directly linked to increases in shareholders value.

Employees were no longer encouraged to remain their whole working life with one employer. In 1946 Philips had included the provision of employment in the Netherlands as an important company goal in its articles of association. In the 1980s this goal was removed from the articles of association.[64] As it was no longer deemed necessary to shape lifelong relationships with the employees the social programmes such as housing, medical care and entertainment, were ended or turned into a sponsorship relationship.[65] Unilever posed higher demands on its managers, on the one hand ending managers' employment if their achievements were considered substandard, on the other hand rewarding managers higher for good performances.[66] Employees were encouraged to increase their own employability by following training and courses. Flexibility and

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[63] P. Kuin, 'Goals for management in the next ten years', (paper presented at the 14th International Management Congress, Rotterdam, 1966).
[64] Metze, *Kortsluiting* , 125.
[65] S. Stoop, *De sociale fabriek. Sociale politiek bij Philips Eindhoven, Bayer Leverkusen en Hoogovens IJmuiden* (dissertatie Utrecht: Stenfert Kroese, 1992), 95-104.
[66] Geoffrey Jones, *Renewing Unilever. Transformation and tradition* (Oxford: Oxford University Press, 2005), 94-102, 230-231.

employability became keywords in human resource policy. Overall, employment numbers went down. This was true for all four manufacturing multinationals. When the trade-unions in the Netherlands became concerned about the loss of employment in 1995, they demanded shorter working days. The director Human Resources of AKZO in the Netherlands argued that the problem of unemployment could only be solved by adapting the labour force, lowering labour costs and creating broader employability and more flexibility. As compromise both parties agreed to more flexibility by giving employees more choice in the length of their working day.[67] The changes at the company level had their impact on the collective labour agreements in the Netherlands, which became more flexible and more decentralised.[68]

So far, the focus has been on manufacturing multinationals. But the picture is very similar if we look at service sector multinationals. In the context of this paper, one example, that of ABN AMRO, should suffice.[69] The Dutch bank ABN AMRO was the result of two important mergers: the first took place in 1964 between the two Dutch banks NHM and Twentsche Bank, creating ABN Bank, and the second, in 1990, between ABN Bank and the Dutch bank AMRO. For much of its history ABN and later ABN AMRO was the largest bank in the Netherlands. After the Second World War the banking sector was oriented towards its home markets, because national banking regulation limited the opportunities for internationalisation. The large corporations and multinational companies, however, started to work across national boundaries, and banks felt forced to follow them abroad in order to serve them. ABN Bank had always been the most internationally oriented bank of The Netherlands, but in the 1970s its process of internationalisation accelerated. Apart from seeking alliances with other banks, it expanded by opening offices in foreign countries and by acquiring foreign banks, thereby

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[67] John Miltenburg and Anne-Claire Veerman, 'Akzo Nobel: een experiment met gevolgen', in: *Innovatie of imitatie? CAO-vernieuwing op ondernemingsniveau*, ed. Marc van der Meer and Evert Smit (Den Haag: Elsevier Bedrijfsinformatie, 2000), 25-38.

[68] Jelle Visser, 'CAO-vernieuwing bezien vanuit de vakbeweging', in: *Innovatie of imitatie? CAO-vernieuwing op ondernemingsniveau*, ed. Marc van der Meer and Evert Smit (Den Haag: Elsevier Bedrijfsinformatie, 2000), 141-149.

[69] This section is based on: Gerarda Westerhuis, *Conquering the American market. ABN AMRO, Rabobank and Nationale-Nederlanden working in a different business environment, 1965-2005* (Amsterdam: Boom, 2008) and Keetie Sluyterman and Gerarda Westerhuis, 'The flow of people: globalisation and the organisation of the international workforce in multinationals companies', Paper for the EBHA conference in Bergen, August 2008.

focusing on centres of world economic power: Western Europe, North America and Southeast Asia. Expansion in Europe turned out to be difficult, because of different and sometimes protectionist legislation. In contrast, the American market was more open to foreign investors. In 1979 ABN acquired LaSalle National Bank in de Midwest of the United States. This acquisition was followed by many others in this region, which were all integrated into LaSalle, creating one large American organisation. The bank also expanded by the opening of branches to serve corporate clients. Compared to Shell or Unilever, the number of expatriate staff in ABN was modest. In 1964, ABN Bank had 100 expatriates, and this number grew to 170 in 1974. As the bank's international operations grew during the 1980s, the expatriate system became open to non-Dutch citizens. To create an 'ABN-culture' and encourage cultural understanding, ABN organised international conferences where international senior management could meet and exchange ideas.

The merger of ABN with AMRO Bank into ABN AMRO in 1990 provided new scope for international expansion. At that moment ABN Bank had 269 offices in 48 countries outside the Netherlands, and AMRO Bank had 106 offices in 15 foreign countries. The main difference between the two was that ABN Bank had focused its foreign activities more locally (commercial banking on a local basis), while the foreign offices of AMRO Bank were oriented towards serving Dutch enterprises and major multinationals. After the merger most of the AMRO offices were integrated into the ABN Bank organization. During the 1990s the internationalisation process continued. ABN AMRO bought a number of smaller American banks in the Midwest and integrated them into one strong organisation. In 1998 it acquired Banco Real with the ambition of creating a third home market in Brazil. It also expanded in Europe and continued to expand by establishing branches, resulting in a presence of the bank in 74 countries in 1999. After the merger ABN AMRO continued working in a regional organisational structure. Not until 2000 did the bank introduce a system focused on business units which operated worldwide.

The global spread of the bank went hand in hand with a change in human resource management from maintaining local practices and norms to furthering global systems. Senior managers from different countries all obtained the same management trainings in global training centres. It resulted in the internationalization of senior management and even the inclusion of foreign managers in the bank's managing boards. As part of the strategy to increase shareholder value, the bank introduced performance related pay, which in 2006 was extended to all employees, independent of local norms and values. The ambition to make ABN AMRO into one global company also found expression in the bank's branding policy. In 2003, ABN AMRO rebranded its subsidiaries in Europe and the US by adding the ABN AMRO name and logo, a green-yellow shield, to the local names. Despite all these efforts, it is doubtful whether the bank had really achieved substantial global integration. When a consortium of three banks, Royal Bank of Scotland, Fortis and Banco Santander, took over ABN AMRO in 2008, it turned out quite easy to sell and disentangle the American subsidiary LaSalle and same was true for the subsidiaries in Brazil and Italy. However, for the consortium banks the outcome was not altogether happy either. The financial crisis of 2008 forced Fortis to sell the Dutch parts of ABN AMRO and Fortis to the Dutch government. As a result, ABN AMRO has become more national than it has ever been before in its history.

Conclusion

In the interaction between multinational companies and national business systems the measure of globalisation plays a key role. Royal Dutch Shell started out as a global company but adjusted itself to the fragmentation of markets during the interwar period and underpinned the process of fragmentation by its emphasis on subsidiaries organised around nationality. In this way Shell accommodated differences in national business systems. After the Second World War a process of international integration via new institutions competed with fragmentation through the Cold War and the end of colonial empires. Moreover the governmental policies were firmly concentrated on furthering the national economy. Under these circumstances, the enterprise remained committed to the national organisations of their international activities, with a group of expatriates creating coherence within the enterprises on a personal basis.

The economic integration of Europe, the globalisation and increasing pressure of financial markets, the IT revolution with its possibilities of global connections and the accompanying globalisation all put pressure on Shell to end the ‘local fiefdoms’ and create one global company based on business sectors. After discussions and critical assessments during the 1980s, this process took finally place in the 1990s, and in turn underpinned the trend towards globalisation. In this way, the multinational responded to the economic globalisation, and in its turn enforced the process of global institution building. By creating international systems, it also added to the changes in local business systems. These changes pushed the Dutch business system in a more liberal economic direction with less government, more focus on shareholders’ return, more flexibility in labour relations and less equality in income. The experiences of other Dutch and partly Dutch multinationals confirmed this general picture.

The financial crisis of 2008 showed how interconnected the global economy had become, but is also undermined the confidence in economic markets to regulate themselves to the benefit of all. Governments stepped in to uphold the financial system, and this was true for the US as well as for European countries, for liberal market economies as well as coordinated market economies. The US republican government even decided to give the US car industry financial support. In the Spring of 2009 it is still unclear what the longer-term impact of the crisis will be. We could see a return to national protectionism as in the 1930s, and in that case it is very likely that multinational companies would adjust their internal organisation accordingly. However, governments could also try to move forward and create on a global scale the kind of coordinated economies that were set up on a national basis after the Second World. In that case they could use and strengthen the global networks that are already in place, in particular those of large multinational companies such as Royal Dutch Shell.