Dutch Enterprise in the Twentieth Century: Business Strategies in a Small Open Economy. *By Keetie E. Sluyterman.* New York: Routledge, 2005. xiii + 319 pp. Figures, tables, bibliography, notes, index. Cloth, $75.00. ISBN: 0-415-35027-1.

Reviewed by Mira Wilkins

Keetie Sluyterman has written a splendid history of Dutch enterprise in the twentieth century. In her introduction, she announces that she will deal with "how business enterprises and their leaders cope with changing circumstances" (p. 2). In covering this topic, she deftly integrates ongoing business history debates—on varieties of capitalism, family firms, national and corporate cultures, organizational capabilities, leadership succession, and comparative (and competitive) advantage—into the storyline.

Sluyterman never forgets that history is about change and that change is not linear. Generalizations that are legitimate in one period may not be valid subsequently. For each of four periods, she follows the same format: after initial generalizations, she introduces a section on Philips (a prominent Dutch business) within a broader context and then recounts the developments in Dutch business history during each span.

Accordingly, for the first period, 1895–1914, she tells the Philips story, which is of a family enterprise on the technological frontier, confronting and cooperating in cartel relationships, and looking to international markets. Philips was small compared with the American General Electric or the German Siemens, yet large in the Dutch context. During this initial period, the principal Dutch manufacturing firms were in the cotton and spinning mills, and shipbuilding was an important industry. Like Philips, these companies were usually family ones.

The second period, 1914–1945, was a time of great uncertainty. Sluyterman outlines the economic, political, and social changes that occurred over these years and tracks the Philips trajectory—in lamps, electron tubes, and radios—as it developed an increasingly international status. By the end of the 1920s, four giant firms (three of them based on cross-border mergers) predominated in Holland: Royal Dutch Shell, a Dutch-British group as of 1907; Unilever, a 1929 British-Dutch merger; AKU (Algemeene

Kunstzijde Unie NV), a 1929 German-Dutch combination; and Philips, the only purely Dutch one.

During the third period, 1945–1975, Europe witnessed the new U.S. role in the world economy. American management methods seemed to provide answers to the question of why U.S. productivity so exceeded Europe's. The Dutch wished "to copy the 'American way of life' with its connotations of freedom, liberty, vitality, and casualness" (p. 128). Decolonization spread rapidly, resulting in the loss (for the Dutch) of Indonesia. Shell and Esso discovered a natural gas field in Groningen in 1959. She describes Philips' transformation during these years, pointing out that while the firm adopted certain U.S. practices, it managed to keep its own enterprise culture. By war's end, the firm had already become a large multinational enterprise (MNE), with sales organizations in forty-four countries and factories in twenty-six of them.

U.S. influence notwithstanding, Dutch businesses generally did not replicate the U.S. "model." During this third period, the Netherlands finally became a consumer society. Readers will be surprised to learn that in 1957 only 3 percent of households in Holland had a refrigerator. By 1972, 88 percent of Dutch kitchens were equipped. On the other hand, by 1969, merely 43 percent of the Dutch population had a telephone at home.

The traditional Dutch family firms were based on the privileges of birth and class, a system that appeared outdated as professional management came to be considered superior to family oversight. Yet family firms persisted, although their leaders by now were more often taking them public, and outsiders were wielding increasing influence. Dutch businesses still routinely belonged to cartels, but these now had to be registered. In 1968, there were 466 cartel agreements in the manufacturing sector. Slowly, under the influence of the United States and the European Economic Community, cartels became less significant and the number of mergers rose. Especially in the 1960s and early 1970s, companies became highly diversified—both domestically and internationally.

The last quarter of the twentieth century (1975–2000), Sluyterman's fourth period, was marked by slower growth rates than in the prior post–World War II decades, floating international exchange rates, new concerns about unemployment, and a radically changing role for government. In many nations, the assumptions of the 1950s and

1960s—that economic growth was inevitable and linear—were being reevaluated. The era of mass production clashed with the new “flexible networks” that seemed more suitable to the times. In the 1980s, Japanese businesses devised innovative production processes in shipbuilding, cars, and electronics, with the result that Japan, rather than the United States, became the leading business model. The fall of the Berlin Wall in 1989 and the subsequent German unification once again changed the global landscape as the cold war abruptly ended. With the slowdown in Japanese economic growth in the 1990s and the collapse of the Soviet Union, the United States was left as the one superpower.

Europe’s response was to move forward with integration, and, after a long planning period, the Euro was successfully introduced in 2002. By the close of the last decade of the twentieth century, Holland, Europe, and the rest of the world were experiencing renewed confidence in their technology, especially in the fields of information and communications. The mergers and megamergers of the late 1980s, and especially of the late 1990s, in manufacturing and the financial services sector transformed the international business environment. In the aftermath came spinoffs and demergers, whereby alliances often substituted for internalization and the service sectors took on new relative significance.

Between 1979 and 1982, the Dutch economy experienced a spate of business failures, but it managed to recover. The ownership role of the Dutch government in the business sectors was not as large as in France or Britain, for example, so the impact of global liberalization on the country assumed different dimensions. Despite Holland’s distinctive social compact, business firms with losses cut back on employees, resulting in a 14 percent unemployment rate in 1983. At the same time, the stock market took on prominence as a measure of business performance.

Dutch business retained its international character. Royal Dutch Shell remained the key Dutch MNE, but international business followed the general economic trend of shifting from manufacturing to the provision of services. The service-sector share in the level of Dutch outward foreign direct investment rose from 12 percent in 1973 to 57 percent in 2000. As European integration proceeded, Dutch companies began (very slowly) to pay more attention to investments nearer home. In 1985, 34 percent of the

stock (level) of foreign direct investment was within Europe; by 2000, this figure had reached 50 percent.

Sluyterman demonstrates that the bulk of Dutch foreign direct investments was in advanced countries. She points out that the low wage costs of less developed countries "did not sufficiently compensate for drawbacks such as higher costs in transportation, lack of flexibility in production, greater distance from consumer preferences, problems with hiring senior staff, and all kinds of trade barriers" (p. 226). She cites a 1997 study reporting that, in 1993, 55 percent of the shares of Dutch companies were in foreign hands (compared with 16 percent in the United Kingdom, 12 percent in Germany, and 5 percent in the United States). Regrettably, she does not explore the meaning of this finding (were these shares direct investment or institutional holdings?). Ostensibly, it indicates that the Dutch economy was dominated by outsiders. The phenomenon seems new, and I expect that Sluyterman will examine it further in her subsequent work. She does tell her readers that, from 1985 to 2000, foreign direct investments in Holland from the European Union rose rapidly, from a share of 35 percent in 1985 to 60 percent in 2000. The creation of the European internal market and in 2000 the imminent introduction of the Euro—added to the benefits of Holland's highly educated, notably language-proficient population, its moderate trade unions, stable political environment, and favorable tax climate—stimulated new investments in the country.

This book is business history at its very best, and I enthusiastically recommend it, not only for its coverage of Dutch enterprise, but for its conceptual framework as well. Business historians will benefit greatly from Sluyterman's contribution.

Mira Wilkins is professor of economics at Florida International University. She is the author of many books and articles on the history of multinational enterprise and foreign investment in general. Her article, "Dutch Multinational Enterprises in the United States: A Historical Summary," was featured in the Summer 2005 issue of Business History Review. *Her most recent book is* The History of Foreign Investment in the United States, 1914–1945 *(published in 2004 and cowinner of the 2005 Hagley prize in business history); she is currently preparing the sequel, which will continue the story from 1945 to the present.*