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This year the Business History Interest Group received thirteen paper submissions. Following a blind review process, nine were accepted for presentation. Among these, the six which received best evaluations from the reviewers were selected for inclusion in this volume.

On behalf of the Business History Interest Group, we would like to express our gratitude to the individuals listed below who took valuable time to contribute as academic reviewers.

We also wish to thank the Faculty of Administration at the University of New Brunswick and the Faculty of Business at Brock University for administrative and financial assistance.

Barry E. C. Boothman
P. Bruce Buchan

REMERCIEMENTS

Cette année, treize articles ont été soumis à la section Histoire de Commerce. Par ailleurs, neuf articles furent acceptés pour présentation, suite au processus de lecture. De ce nombre, les six articles ayant obtenu les meilleures évaluations se retrouvent dans ce document.

Au nom de la Section Histoire de Commerce, nous exprimons notre vive gratitude aux personnes dont les noms suivent pour leur précieuse collaboration à titre de lecteurs académiques.

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Barry E. C. Boothman
P. Bruce Buchan

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ASAC 1994
Halifax

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ASAC: THE EARLY YEARS OF THE ASSOCIATION, 1957-1972

ASAC dates its first conference to 1973 when it became a Learned Society, but the Association has operated continuously since 1957, struggling with the developing Canadian business schools.

The development of the Administrative Sciences Association of Canada parallels the growth of Canadian business schools. This study tracks changes in the early years of the Association, from the 1st Conference, in 1957, at the University of Ottawa, to the 16th Conference at McGill, in 1972. During this period the Association tried to fill two roles, serving as a forum for deans to discuss their administrative problems, and as an academic society presenting research findings. The original intention of the Association was to promote business research as member of the Canadian Learned Societies, but the immediate operating problems of the deans and directors of Canada's business schools soon dominated the agenda. Only after the deans left to form their own organization were the academics able to return to their original purpose. In 1973 the goal of becoming a Learned Society was realized.

The early years are described in three parts. Part 1, follows changes in the characteristics of Canadian business school professors, 1957-72. Part II, The Growth of the Association, 1957-72, summarizes several indicators of growth. Part 3, Phases in the Development of the Association, examines four distinct periods in the Association's early history.

Profile of Canadian Business School Professors, 1957-72

ASAC could not begin as a full-fledged academic society because conditions in Canadian business schools did not support this purpose. The Association's struggles reflected the problems of growth of business schools, and the professional development of their faculties. Initially, in the period of rapid growth in Canadian universities in the 1960s and 1970s, business subjects were taught in other departments, such as Economics, before a separate department, school, or faculty was formed. Within universities, business schools faced indifference and underfunding, and often were not accepted as an academic discipline. The pressing concerns were determining curriculum, setting standards, finding trained faculty, and when possible, academic research.

Table 1. Characteristics of Canadian Business School Professors

	Percent of Doctorates	Average Age	Average Salaries	Percent of Women	Student/ Teacher Ratios	New Ph.D.s
1958-59	11.8 (41.7)	35.6 (38.9)	7,136 (7,492)	2.9 (10.7)	—	0
1663-64	17.1 (43.4)	37.3 (39.4)	8,128 (9,367)	0.9 (11.6)	39:3 (15:5)	0 (481)
1968-69	26.9 (49.4)	37.0 (38.6)	13,863 (13,141)	2.0 (13.0)	26.5 (12:7)	1 (1,108)
1973-74	39.1 (58.8)	37.4 (40.6)	17,727 (18,369)	4.6 (13.0)	24:1 (10:9)	10 (1,896)

(see von Zur-Muehlen, 1977a)

The initiative to develop business schools generally did not come from university administrators, but was driven by increasing student enrolments in business subjects, by students' perceptions that a business degree was more likely to result in a job. In the period from 1957 to 1973, the number of business schools professors grew from 107 to 952, an annual average increase of 15.5%, with a peak of 22.9% in 1971-72. Student enrolment in business programs nearly tripled in the 1960s. Business faculty were overburdened by large classes, heavy teaching loads, and administrative demands, without the support of an infrastructure of graduate students and research assistants. (von Zur-Muehlen, 1979:21).

In 1957, only 11.8% of business school professors had doctorates, a much lower figure than the Canadian average of 41.7%. In the 1960s there was an improvement in the quality of business faculties, as measured by the number of doctorates. Business professors were slightly younger than the system average, and that, combined with the fewer number of doctorates, probably accounts for their slightly lower salaries. The first doctorate in management in Canada was earned at Western in 1965. Only five doctorates in business were granted in Canada in the 1960s (von Zur-Muehlen, 1981:33). Less than 1% of the doctorates granted in the 1970s were in business. There were significantly fewer women in business faculties throughout the period. The student/teacher ratios were extremely high, over double the system average, reflecting the rapid growth of the discipline, the lack of qualified faculty, and the lower numbers of graduate students. M.B.A. enrolments grew much slower than that of undergraduates. Generally, business faculty lacked the time, and the training for scholarly research.

Growth of the Association, 1957-72

In its first twenty years, the Association tried four times before it settled on a workable name.

- | | |
|-----------|---|
| 1957-1962 | Association of Canadian Schools of Commerce and Business Administration (A.C.S.C.B.A.) |
| 1963-1972 | Association of Canadian Schools of Business/
Association Canadienne des Ecoles de Commerce (A.C.S.B.) |
| 1972-1977 | Canadian Association of Administrative Sciences/
Association Canadienne des Sciences Administrative (C.A.A.S.) |
| 1977 | Administrative Sciences Association of Canada/
L'Association des Sciences Administrative du Canada (A.S.A.C.) |

As the first name indicates, the Association was a group of schools, not of individuals, but was unwieldy. The name adopted in 1963 is shorter, and bilingual, but its acronym is different in English and French, and does not sound like a word in either. The third try, reflects the popularity of the term 'administrative sciences' in the 1970s, but again the acronym is different in the two languages. Finally, in 1977, the name ASAC was adopted, producing the same acronym in both languages, in a form that can be pronounced without sounding like alphabet soup. To confuse things a bit more, ASAC dates its founding to 1973, when it was named CAAS, even though it has continuous ties to the organization formed in 1957. The 1973 date marks the year when ASAC (or CAAS to be correct) was admitted as a Learned Society (although it left the Learned in 1986). At least it should be clear why this article terms the whole thing the Association.

Throughout this period, although it was not a Learned Society, meetings were held with the Learned, which made the local arrangements. Until 1972, the presidents, were deans or directors.

Table 2. Conference Locations and Association Presidents

1. 1957	University of Ottawa	1956-57	T.H. McLeod*, Saskatchewan
2. 1958	University of Alberta	1957-58	W.J. McDougall*, Carlton
3. 1959	University of Saskatchewan	1958-59	W.A. Thompson*, Western
4. 1960	Queen's University	1959-60	Clement Lockquell*, Laval
5. 1961	Sir George Williams	1960-61	L.G. Macpherson*, Queen's
6. 1962	McMaster University	1961-62	John Sawatsky*, Toronto
7. 1963	Laval University	1962-63	Ralph Harris*, Manitoba
8. 1964	Prince of Wales, P.E.I.	1963-64	D.E. Armstrong*, McGill
9. 1965	U.B.C.	1964-65	G.N. Perry*, U.B.C./Wettlaufer
10. 1966	University of Sherbrooke	1965-66	Jack Wettlaufer*, Western
11. 1967	Carlton University	1966-67	Roger Charbonneau*, H.E.C.
12. 1968	University of Calgary	1967-68	Lloyd Barber*, Saskatchewan
13. 1969	York University	1968-69	Gunther Brink*, Sir George
14. 1970	University of Manitoba	1969-70	John Mundie*, Manitoba
15. 1971	Memorial University	1970-71	John Mundie*, Manitoba
16. 1972	McGill University	1971-72	Roger Miller, Sherbrooke

* Dean or Director

Deans dominated the conferences and set the programs until 1969, when they formed their own association. Initially, papers addressed the problems of developing business programs rather than research. In the late 1960s, the Association's leaders changed the focus of the conference to emphasize research.

Table 3. Membership, Conference Attendance, Orientation

Annual Conference	Member Schools	Conference Attendance	Total Faculty	Number of Papers	Themes of Papers
1. 1957	16	39	107	5	programs
2. 1958	21	30	136	6	programs
3. 1959	20	40	146	7	programs
4. 1960	26	63	154	5	practitioners
5. 1961	20	67	161	3	Ph.D. programs
6. 1962	28	49	177	5	practitioners
7. 1963	27	66	192	3	research
8. 1964	28	43	236	3	practitioners
9. 1965	29	57	283	8	research/industry
10. 1966	33	104	331	6	research
11. 1967	35	70	417	7	research
12. 1968	34	63	502	34	research
13. 1969	34	163	607	19	research/teaching
14. 1970	38	167	685	22	research/teaching
15. 1971	37	125	712	18	teaching
16. 1972	40	174	923	26	research/ 5 divisions

The very limited finances available to the Association constrained its activities. In 1957, its revenue of \$400 was based on 16 institutional memberships of \$25 each, increased to \$40 in 1960. Revenues exceeded \$1,000 in 1964 when the membership fee was raised to a variable rate of \$50 to \$80, depending on the size of a business school. In the 1972, the Association operated on a budget of \$15,280.

Phases in the Development of the Association, 1957-72

The Association was influenced by two reference groups, the Economists' association of the Learned Societies, an academic group, and by the American Assembly of Collegiate Schools of Business (AACSB), a select group of deans.

The Association tried to be both types of organization, but could do neither function well.

The AACSB, formed in 1916, an association of American business school deans supported by a permanent secretariate, sought the acceptance of business schools from other faculties by engaging in activities to establish and promote high academic standards for business education. Membership was restricted to faculties who performed at these standards. In contrast, the ACSCBA could not afford to be exclusive; it could only encourage higher standards, but could not set them. When the Canadian deans formed their federation, in 1969, they used the AACSB as a model. The ACSCBA also tried to function as a Learned Society, but this was of secondary importance to the administrative concerns of the Deans, and there was little research being done to report.

Only in 1972 did Roger Miller, the Association President, suggest using as a model the structure developed by the American Academy of Management in the 1960s. The Academy of Management was started in 1936 as a small group (around twenty members) which met over the Christmas holidays to discuss a few papers, quite separately from the AACSB (see Wrege, 1986). In 1957, when the Canadian association was formed, the Academy was still a small group of about fifty members, run on the basis of personal friendship, although that year it published an experimental edition of the Academy of Management Journal. The Academy's first large scale meeting in Cincinnati, in 1969, switched the meeting time to August, and included tourist literature in its call for papers encouraging members to travel with their families. Ten professional divisions, formed in 1969, did not include Marketing, Finance, or Accounting, as strong associations, linked to practitioners, already existed. Not long after, in 1972, the Canadian Association started divisions, formalizing this in its 1973 constitution.

1. Formation: 1954-56. Preliminary meetings on the formation of the Association began in 1954 involving Dean Tom McLeod, College of Commerce, University of Saskatchewan, Prof. Georgia Goodspeed, also at Saskatchewan, Dean Earl MacPhee, Faculty of Commerce and Business Administration, U.B.C., Prof. John Weldon, Department of Economics and Political Science, McGill, and Prof. Jean-Jacques St. Pierre, Ecole des Hautes Etudes Commerciales de Montreal. Rump meetings were held at the Learned Societies, and at the University of Alberta under Dean Lindberg, funded by monies received by his faculty for consulting activities.

2. Start-up: 1957-59. It was the intention of the founders to provide a meeting for faculty to present scholarly work at meetings held at the same time and place as the Learned Societies, with the aim of becoming a member of the Learned. The 1st Annual Conference was attended by 39 delegates at the University of Ottawa, June 16 and 17, 1957. The Executive included Dean T.H. McLeod, President, and Prof. G.M. Goodspeed, Secretary-Treasurer, a Vice-President and two regional representatives. The purpose of the Association was "the promotion and improvement of higher education in the various fields of commerce and business administration" (ACSCBA Constitution, 1957). The ACSCBA was formed as an association of schools because they were a more reliable source of membership fees than individual faculty subscriptions. Sixteen schools were founding members, while ten others indicated interest. Membership was open to any institution accepted for membership in the National Conference of Canadian Universities that offered regular classes in Commerce and Business Administration. Any number of members from each institution could attend the Annual Meetings, but only one official representative had a vote. In practice, all delegates voted at the Annual Meeting. In order to keep travelling costs down, the idea of rotating the Executive between East and West was debated, instead, it was decided to try to select the core Executive from central Canada.

The Executive commissioned five papers for presentation, printed after the conference in the First Proceedings. James Gibson, Dean of the Faculty of Arts

and Science, Carlton, considered the place of the Humanities and Social Sciences in business curriculum; Colin Gourlay, Faculty of Commerce, U.B.C., compared the curriculum of business schools in Canada; and P.T.R. Pugsley, Supervisor of the Sir George Williams Commerce Division, discussed "The Business Community and the University". The other papers were on "Accounting Research" and "Case Preparation". Four concurrent seminars were held on teaching Accounting, Marketing, Finance, and Production.

At the 2nd Annual Conference at the University of Alberta, W.J. McDougall, Carlton, President, attendance was down to 30 delegates, although the Association now had 21 member institutions. The six invited papers addressed operating concerns, not research--"Where Is Business Education Going?", "The Place of the Thesis in Undergraduate Studies", "Extension Activities in Canadian Schools of Business", and "Need for Research Activities Among Canadian Schools of Business". Concurrent workshops were held on instructional problems in Finance, Marketing, and Accounting, and on "problems of the Dean's office".

The delegates passed several policy recommendations to encourage research which reflect very basic needs for materials and information: "The Association will exchange, among its members, information regarding sources and kinds of library materials and other facilities helpful for research and teaching" (Annual Meeting, 1958). A pilot project of a regional sub-group in the Maritimes was initiated that developed into the Atlantic Business Schools Conference.

3. Domination By the Deans: 1959-68. The Association probably could not have started without the support of the deans. They authorized institutional membership fees, regularly attended the conference, served on the Executive, and encouraged other faculty members to participate. Beginning in 1959, the Deans and Directors of the faculties, schools and departments of Commerce and Business Administration held meetings prior to the Association's meeting. This was expedient because of the shortage of travel funds. While administrators, most deans had some teaching load and were interested in attending sessions at the Learned. But the meeting of Deans had the effect of turning the Association away from its original concept of becoming one of the Learned Societies, a forum for academic research, into a club for deans. For the next decade, deans held most of the executive positions, except for the two Representatives-at-Large slots.

The 3rd Annual Conference, Walter A Thompson, Associate Dean, Western Business School, President, was at the University of Saskatchewan, Saskatoon. The invited papers addressed problems in developing programs: "American Business Administration Programs", "Building a Business Programme in a Traditionally Liberal Arts College", and "Building a Business Programme at the Undergraduate Level". Special teaching group meetings were held in Accounting, Marketing, Finance, and Policy. The Association encouraged research by publishing in the Proceedings "The Report of the Business Administration and Commerce Faculty Research Interests and Projects 1958-59", developed by Prof. H. Overgaard, Waterloo-Lutheran, in which professors from all the member institutions listed their projects as completed, in progress, or contemplated.

The deans were concerned with building programs and finding qualified faculty. This meant an interest in graduate programs to develop a stream of new business faculty to feed the growth. Research per se did not consume their time. What was important was funding for research to develop qualified faculty. Over the next five years, 75 new business school faculty would be needed--a daunting problem when in 1959 there were 146 business faculty in Canada. The 28 delegates (for the most part deans and directors) at the Annual Meeting, held at the home of Dean and Mrs. McLeod, passed a motion "be it resolved that this Association recommends to the Presidents of all Canadian universities that they give urgent and serious consideration to the need for a Ph.D. programme in business education."

A problem with funding for business research was that the Association did not qualify for membership in the Canada Council (SSHRCC), which restricted membership to associations with individual memberships. The Council, the main source of funds for research in the social sciences, tended not to support doctoral programs in professional programs, and placed a low value on business research. The dilemma was that business faculty needed to gain credibility with the Canada Council through research, but funding was not available until a body of credible research was evident. For the next several years the Executive cast around for sources of funds. A committee was appointed to approach the Department of Trade and Commerce as a possible sponsor of grants for business research.

In 1959, the question of the possibility of the Association publishing a business journal was first discussed. Dr. David Leighton noted that the Business Quarterly, published by the School of Business Administration at Western, would publish business research. The Association decided that another business journal would find it difficult to attract articles, and pay its way, and the issue was dropped.

The focus of the 4th Annual Conference in 1960 at Queen's was a panel discussion on the "Canadian Implications of the Pierson and Gordon-Howell studies on Education for Business". These two studies, published in 1959, were sharply critical of the standards of business education and research in the U.S., and had ignited a demand for the examination of business school programs. Business school research was criticized as not scholarly, inclined to use anecdotal methods. Pierson urged business schools to improve the standards of faculty, and emphasized the role of research in achieving this. American schools initiated sweeping changes in business programs as a result of these reports. The ACSCBA was alarmed by the criticism, but in Canada, action was delayed to the late-1960s.

Western established the first Ph.D. in Business Administration in Canada in the Fall of 1961. At the 5th Annual Conference, in 1961, at Sir George Williams, Montreal, Prof. R.K. Ready, Western, outlined the program. His presentation provoked considerable discussion on the purposes and objectives of a doctoral program in the business field, how it should be set up and what should be the context.

In January 1961, the Executive had requested a report, chaired by Prof. Ralph Harris, Manitoba, on business research. Harris cited the Pierson Report for the Carnegie Foundation "that business schools have seriously under-rated the importance of research" (Pierson, 1959:11). Harris classified business research in four categories: pure, basic, applied, and service research. "In discriminating among these various types of research I would argue that pure, basic and applied research are the areas normally suitable for university effort as they enable the individual scholar to select his path and follow it without pressures which may compromise the quality of his performance. He is free from the preoccupation with practical results which may prevail in almost all work undertaken by civil servants, those employed in industry, consultants, and professional groups" (Annual Meeting, 1961). The Department of Trade and Commerce had not been interested in a funding program. Harris was asked to investigate a report that the Bronfman Foundation was interested in proposals. To underline the problem, only three papers were presented at the conference that year.

At the 1962, 6th Annual Conference at McMaster, the program of five papers related to curriculum, programs rather than research. The issue was raised that the group become "an association of teachers with an appropriate fee structure, rather than an association of Schools" (Annual Meeting, 1962), but it was felt that the cost of travel would make it impossible for smaller schools to be adequately represented. To try to get around the impasse caused by their dual purpose, and to decouple research needs from the dean-driven agenda, the Association created The Canadian Council for Business Research, with John Sawatsky, Toronto, President, to approach the federal government and

research councils seeking funds. The following year, Sawatsky reported that the Council was holding discussions with the Bronfman Foundation. The institutional membership fee was doubled to give the Executive funds to meet during the year, and to pay for a survey to find out what research was being carried out in Canada. The idea of a newsletter was raised, to exchange ideas nationally, but nothing was done.

The 7th Annual Conference, in 1963, was held at Laval, and appropriately the Association's name was changed to Association of Canadian Business Schools/Association Canadienne Des Ecoles De Commerce. Only three papers were presented, but on research themes: "The Economy of the Firm", A. Riverin, Laval; "Education for Operations Research", P.J. Sandiford, McGill; and "Developments in Behavioral Science", R.K. Ready, Western. The Association was stalled in these years, absorbing the criticism of the Pierson and the Gordon-Howell Reports, scrutinizing their programs and debating how to make changes.

In 1964, at the 8th Annual Conference was held at Prince of Wales College, P.E.I., there were again only three papers presented, two by practitioners and the third on Marketing. The Executive Meetings in the mid-1960s were often stormy, reflecting the dual purpose of being both a forum for deans to discuss job openings and salaries, and a vehicle for research. Frustrations grew and members felt an ever increasing need to make changes. The Ford Foundation, which underwrote the Gordon-Howell Study, was making major educational grants in the U.S. to help institutions finance basic changes in their graduate business programs. The Canadian deans wanted their programs to be eligible for some kind of similar funding.

At the 1965 conference the fractious debates continued. The thrust of the change was to make business education, particularly at the graduate level, education in general management, rather than in a specialization. Under the Ford proposal, quickly adopted by the AACSB, to be accredited programs had to consist of a core program with a limited amount of specialization. The M.B.A. degree was defined as a professional degree in management. The old idea of business schools, at least at the graduate level, being a training ground for specialists in Accounting, Production, and Marketing was challenged. It was argued by the proponents of the changes that there was a body of knowledge about management sufficiently developed to create a discipline of study around it. Bringing such a major change into the curriculum in many schools was not easy. Business school programs served, primarily in undergraduate programs, professional associations such as accountants and bankers. Only a few schools --Harvard, Stanford, Chicago-- did much work on management, and yet, that was the direction in which all of business education was moving. In Canada, three deans, Philip White, U.B.C., Jack Wettlaufer, Western, and James Gillies, York, led the drive in the Executive Meetings for making this change in focus in Canada. The Association President, Jack Wettlaufer was assigned to "make a direct formal approach to the head of the Bronfman Foundation" about funding for research (Annual Meeting, 1965). Six of the eight invited conference papers were by academics, including R.M. Cyert, Carnegie-Mellon, speaking on "The Role of Leadership in Academic Organizations."

At the 1966 conference, at the University of Sherbrooke, the deans offered a program of seven papers, mainly on research topics, chosen for their wide interest. The papers continued to be invited, not refereed. It was agreed that the people presenting papers would be asked to reproduce a precise, and preferably copies of the paper, for each discussant several weeks before the conference. Half of the speakers were from industry. There were no divisions, except that at one lunch tables were arranged according to the functional areas of Control, Finance, Accounting, Marketing, Production, Quantitative Methods, Economics, and Behavioural Science.

The conference was concerned with standards in Canadian business programs, and the management gap between Canadian and U.S. schools, raised in The Second Annual Review of the Economic Council of Canada (1965). Dean Lewis Greer, Memorial, reported on his study showing that many M.B.A. students shied away

from teaching because of the tremendous cost of a doctoral program, even though Canadian schools would need large numbers of professors in the next ten years. The important announcement that addressed this problem was that the Bronfman Foundation had agreed to provide, on a yearly basis, the interest (of about \$50,000) from a \$1,000,000 trust fund, for the purpose of obtaining more good teachers for Canadian business schools. The Association Executive would grant three types of awards, M.B.A. fellowships, doctoral, and senior faculty awards, in time for the Fall semester. The Bronfman funding came at a critical time, and was invaluable in raising standards of scholarship in Canada.

At the 1967 conference, Dean White, U.B.C., proposed that the Deans form their own organization and leave faculty to organize an academic program with the Learned. White felt that the development of business schools had reached a point where the faculty, now numbering about 500 in Canada, could operate as a Learned Society and run their own affairs. In opposition, Deans Wettlauffer and Barber felt that while this development would take place, it was a question of timing. Barber pointed out that the Association Executive had difficulty finding a few research papers to present at the meetings as it was, and that it was doubtful faculty would fund the cost involved. In response, John Mundie proposed: "That the A.C.S.B. accepts the principle that members of the faculty of Canadian Schools of Business Administration should form a LEARNED SOCIETY ORGANIZATION" (Annual Meeting, 1967).

4. **Toward A Learned Society: 1968-72** Mundie was rewarded with preparation of the program for the conference. The number of research papers in 1968 jumped to 34 from 7 in 1967, each with discussants to give instructional criticism. For the first time the Association "had sufficient papers of a quality to warrant the A.C.S.B. being recognized as a truly Learned Society" (Annual Meeting, 1969). The publisher Richard D. Irwin sponsored a reception for delegates, the first one in a long and generous association. At the Annual Meeting, Dean Mundie reported the results of a questionnaire indicating that the majority of faculty felt that the ACSB did not serve their needs. They wanted the Association to play a more active role as an academic society, promoting research rather than functioning primarily as a business meeting for administrators. Interest was indicated in a periodical on business research. Dean White again proposed his motion on a separate Dean's organization. This time it failed by a narrow margin.

The Deans began plans for a separate organization, but were concerned that the ACSB would function as an academic society. John Mundie and Gunther Brink, the only Deans remaining on the Executive, helped in refocussing the Association. Brink attended the October 1968 Executive Meeting of SSHRCC, but the Association's request for membership in the Learned was rejected because it was made up of institutions, not individuals. He was advised by SSHRCC that research grants would be more readily available to individuals who were members of a business faculty association, rather than an association of schools. Brink did obtain, for the first time, a travel grant of \$3,000 from SSHRCC for members to attend the 1969 conference.

The program of the 1969 conference at York had 19 papers, all in English, from faculty in large and medium-size universities, most the result of academic research, and the balance on teaching issues. There were no formal divisions. Attendance jumped from 63 in 1968, to 163 in 1969. At the Annual Meeting, C.L. Mitchell reported the results of his survey concerning the possibility and feasibility of an association solely supported by individual members. His survey "indicated that while most Faculty members would like to have an association supported by individual members they tended to shy away from it because of the cost and the work involved (Annual Meeting, 1969). The constitution was amended from having one vote for an institution, a system that favored the deans, to one where "each member institution may nominate three representatives to vote at the Annual Meetings, and that these representatives shall have one vote each", an interim step to individual membership. While the Deans continued to pay institutional memberships, individual memberships were introduced to "test the waters".

In 1969 the Association of Deans and Directors of Canadian Schools of Business, later named the Canadian Federation of Deans of Management and Administrative Studies (CFD), was formed. In creating the CFD, Dean Philip White and some others wanted the deans of business schools to become part of the academic main stream in universities, by meeting in the Fall with the deans of other faculties. The CFD was purely for deans (as well as directors and department chairs when a university had no dean of business), to discuss administrative policies and programs. The deans, while withdrawing from ACSB, continued institutional memberships and strongly supported its scholarly ambitions, encouraging their faculty to become involved in an expanded academic program. While the deans now had their major meeting in the Fall, they continued to meet during, or immediately, after the ACSB Conference.

Mundie, serving his second term as President, the only dean now on the executive, was determined the 1970 conference at the University of Manitoba would be conducted as an academic conference, although SSHRCC continued to refuse to admit ACSB as a member. The precedence was established of selecting the Program Chair from the host university. The organizing committee kept detailed records of its plans. Sponsors were arranged for lunch and receptions, 30 travel grants awarded, and a special ladies program for wives organized. The Executive established a theme "Our Changing Environment", and sent out letters inviting proposals to all faculty members. From 40 proposals, 22 papers were selected. The authors were asked to submit an Abstract by April 15 and a copy of the final paper by May 15, in order to be eligible. Until then, completed copies were not required until after the conference when the Proceedings were printed. The sessions operated over two full days, with a reception the evening before. The papers represented a range of disciplines but were not divided into divisions. Management Education was a popular topic.

Attendance at the 1971, 15th Annual Conference at Memorial, dropped to 125 from 167, probably because of the high travel costs, especially for western delegates, to reach Newfoundland. The Association negotiated a \$3,400 travel grant from SSHRCC, but was not eligible for other grants because of the membership problem. A straw vote at the Annual Meeting showed that delegates favored a combination of institutional and individual memberships, but were against solely individual support. This vote delayed the Association's possible admission to the Learned Society for another year. As it was, with the dual membership, activities were hampered by the lack of funds. The Executive Meetings, held in the Fall and Winter, were dependent on funds from the Bronfman Foundation, whose administration took up the largest part of the meetings.

The new president, Roger Miller, Sherbrooke, was committed to pushing the organization toward independent status as a Learned Society. He established a task force to seek other sources of funds. Miller was provided with a free pass by Air Canada and set out to visit as many universities as possible. During these visits faculty mentioned two major concerns, that the Association become a Learned Society, and start a journal. Miller's goals for the Association, described to the Executive in February 1972 was a Learned Society "no different from American academic societies", but "addressing Canadian issues American societies do not deal with. ... The mission of CAAS should not be to compete on disciplines but rather on subject matter". The Association faced the dual problems of building the image of an academic society, and encouraging "empirical studies along discipline lines using the Canadian context as a source of information". While Canadian business schools now had the quality and number of professors to sustain an academic society, "their motivation is to publish in an American journal in order to be recognized by American societies."

Since the Association would need several years to attract dues-paying members, the Council of Deans and Directors of Canadian Schools of Business agreed to a schedule for phasing out institutional support of: 1972-73, full support of \$100/institution; 1973-74, 2/3rds support; 1974-75, 1/3rd support. From 1975 onwards the Association would be self-sustaining.

Vance Mitchell, UBC, circulated a questionnaire to all faculty to investigate the feasibility of developing individual memberships, and found almost unanimous support for the proposal of transferring the Association to a Learned Society, and strong support for changing the name to the Canadian Association of Administrative Studies (CAAS). Bob Crandall, Queen's, developed a constitution, adapted from the Canadian Economic Association, but considerably reworked to include divisions. To the offices of President and Secretary-Treasurer, elected annually, were added the President-Elect/Program Chair who would succeed the President, two Vice-Presidents elected for two year terms, and an Awards Chair. The number of members-at-large was reduced from four to two. Provision was made to add the Managing Editor of the proposed journal. Divisions were created, with provision for additional divisions. The Division Chairs were also members of the Executive Council. Election was by secret postal ballot prior to the Annual Meeting.

The Association's 16th Conference at McGill, in June 1972, was organized by interest groups--Organizational Behaviour, Finance and Managerial Economics, Accounting Information Systems, Marketing, and Management Science--each with an appointed coordinator. The largest group was O.B. (10 papers), then Finance (8), Marketing (7), Management Science (4) and additional sessions in Policy (a panel discussion), Business and Government (2 papers), Careers (2), and Education (1). Speakers included Marc Lalonde and Eric Kierens, reflecting the importance of government in business planning. The 746 page, single-volume Proceedings was published the following year by Queen's.

At the Annual Meeting, June 6, 1972, the CAAS Constitution was approved unanimously. CAAS then petitioned SSHRCC for membership. This process was long and involved, complicated by the fact that in the early 1970s business schools were not considered by many colleagues in the other faculties to be academically quite respectable. Eventually the merits of the petition won out, and in 1973 CAAS was admitted to SSHRCC as a full member.

Did ASAC significantly contribute to improvements in school curricula, and to the quality of professors' knowledge, standards and practices. Did ASAC matter? This study shows a contradiction that might help to answer this. While ASAC was started by the faculties of large universities, it was not carried forward by them. In the long term, it was sustained by the medium size universities. Despite the support of the deans, a number of faculty, clustered in the big universities, had no interest in ASAC. The irony is that some of the best ASAC leaders came from these same universities.

Initially, strong leadership came from the large institutions--British Columbia, Western, Queen's--universities who regarded the large American schools as their models, who hired Ph.D.s from leading American schools to set standards in teaching and research. Professors at the large schools were measured by the acceptance of their research findings by American journals and conferences. Why then did they not simply focus on their north/south links with American institutions? Why did they also put considerable effort into developing the Canadian association? The U.B.C. business faculty, under Dean Philip White, was a strong presence in the Association in the early years. White was seeking parity for his faculty with other U.B.C. faculties by emphasizing scholarship, reflected in recruiting in leading American schools. His support for ASAC, and then his drive to form the Canadian Federation of Deans, helped to establish these standards. By raising national standards in business education, these schools improved their standing with their parent university.

ASAC leaders of this period recall the meetings as 'stormy'. The battles were between the professors defending the prevailing view of business schools as externally-driven, reflected by a program emphasis on accounting, finance, production, and some marketing, and the professors, often from the larger schools, supporting the professional orientation recommended by the Pierson and the Gordon and Howell reports of 1959. Responses to these reports were delayed in Canada, but the Association meetings provided a forum for

developing an understanding for the reasons behind the proposals, and for planning ways to program them.

The very early years might be considered a 'failure' because the association could not mount an academic program--the research output was not there. The 'successes' were the battles for professional standards in the meetings. In the first ten years these disputes were argued before one-third (see Table 3) of the Canadian business school faculty, small as that was. The effect of this was the gradual emergence of the professional view in Canadian schools. Because of the Association, the deans and professors from the medium and small size schools had access to practical information about the changing orientation. Through the Association, Deans from the 'big' schools, who were using American professional models, were in contact with deans, directors and faculty who were more remote from these influences, and who, generally, did not feel much pressure from their faculties to make changes. At the Association meetings they found models for building their faculty and programs.

Beginning in 1968, the Association could develop an academic program, of the kind the founders had hoped for in 1957, because in the intervening ten years business school professors' interest and ability in doing scholarly research had improved considerably. ASAC had created a Canadian community of business academics from what mainly had been a small, dispersed group of teachers of business.

PRIMARY SOURCES

The Administrative Sciences Association of Canada document collection, held at UQAM, was examined, including Minutes of General and Executive Meetings, and correspondence, 1957 to 1973. Jocelyn Desroches, Secretary of ASAC, was most helpful in making these documents available. Many of the participants in the early years of ASAC kindly gave interviews, wrote letters responding to queries, and sent documents, including: Robert Crandall, James Gillies, Larry Moore, John Mundie, Herman Overgaard, Stan Shapiro, and Philip White.

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THE THOROLD STORY, PILKINGTON IN CANADA

In the late 1800s, Pilkington established selling agents across Canada, gradually supported by a network of warehouses. In 1914, a Canadian glass manufacturing plant was built to safeguard the company's patent rights to the Drawn Cylinder process. The plant closed in 1924, unable to meet foreign competition.

Pilkington Brothers Ltd. has been a major supplier of glass products in Canada since 1890. From 1914 to 1924, it manufactured sheet, and then plate, glass at a factory it built near Thorold, Ontario, the first window glass plant in Canada. This misadventure, the reasons which led Pilkington to build the plant, and why it was closed, permanently, a decade later, is examined.

The sheet and plate glass industry has been marked by international competition since the 1870s. Each new technological advance required an ever larger scale of production to be competitive. Technology in the glass industry changes in dramatic, discontinuous leaps, followed by long intervals of several decades with little change. Three such quantum technological changes affect the period of this history, 1870 to 1924.

In the 1870s, Pilkington's newly developed expertise in plate glass production, and the concomitant scale requirements, gave it the impetus to develop international markets--including Canada. A second technological demi-leap, or miss-step, the Drawn Cylinder process, developed by an American firm, in 1909, resulted in the establishment of the Thorold Plant in Canada. A third major change, in 1922, was the Continuous Flow Process developed by Ford technicians, in Detroit, to improve auto glass. When Ford's Continuous Flow technology was combined with a system of continuous grinding and polishing developed by Pilkington, an even larger scale of plant size and capital investment set the industry standard. A fourth major change, the Float Glass process, which eliminated grinding and polishing, developed by Pilkington in St. Helens by 1959, although outside the time frame of this study, marked another discontinuous change in glass-making technology. Each of these changes further mechanized the glass-making process, and by reducing the need for skilled labor, lowered production costs. The developments in the 1870s mechanized the upstream part of the process. The Drawn Cylinder process mechanized glass-blowing on a periodic, although not a continuous basis, but still required labor-intensive hand-flattening. The process developed in 1922, mechanized both glass-blowing and flattening to a continuous flow, making the Drawn Cylinder method obsolete. Producers, but not the skilled workers, welcomed new technologies which reduced the labor component. Still, each new technology created great anxiety in firms because of high switching costs.

The Pilkington family acquired controlling interest in a St. Helens, U.K., glass factory in 1829. The large scale of glass works meant the industry was confined to a few large firms. From 1860, Pilkington faced increasing domestic competition from glass produced in Belgium, which could be sold at lower price because of cheaper labor and production costs. In the 1870s, Pilkington developed a technical specialty in the plate glass process, based on two innovative processes, making Pilkington the most technically progressive of the British glass companies. One innovation, worked out by Pilkington, speeded the time needed to cool the glass. The second innovation, first developed by Siemens, which replaced preparing glass in batches in 'pots', with large tanks, was virtually a continuous process, requiring stoppages only every three or four months to repair the tanks.

Glass sales in the U.K. declined in the late nineteenth century, associated with a reduction in building construction. Yet in 1872, Pilkington began a large scale expansion of the St. Helens plate glass works using the new processes. As the domestic market could not absorb the output, Pilkington turned to developing an export trade to find new international customers. Selling agents were sent to establish depots in Canada, South America, Australia, New Zealand, South Africa, Germany, France, Italy and Spain. The quantity of glass exported by Pilkington before the 1870s appears to have been small. By 1880, the office and warehouses at St. Helens were "handling a considerable volume of export business" (Barker, 1960:168). The export drive seems to have sustained the U.K. operations. The company historian, T.C. Barker feels "... that Pilkingtons owed their survival to growing profits from exports as well as to lower production costs" (Barker, 1960:169).

Development of the Canadian Distribution System

Pilkington's early activities in Canada are obscure. There are indications that almost from its founding the company's selling agents were active in Canada. Invoices exist of the sale of glass to a customer in Halifax, in 1834, an account unpaid to this day. Pilkington records also show, that in 1885, the company engaged Joseph Taylor, a selling agent travelling through the Maritimes for the firm of William Darling, hardware agents, to travel the same territory for them.

After the large scale plate glass works were built at St. Helens in the late 1870s, Pilkington developed a warehouse distribution network in Canada. In 1879, the company sent J. Thorpe on an exploratory visit to the United States and Canada to assess market prospects. Thorpe seems to have concluded that the already well-developed American glass industry made Canada an easier market. Over-production, and severe price competition, in the U.S. window glass industry would result in the consolidation of several leading firms on the verge of bankruptcy into the Pittsburgh Plate Glass Co., in 1895 (Lamoreaux, 1985:122). In 1890, Thorpe rented a building in Montreal, the first Pilkington warehouse in Canada. Thorpe concentrated on the Canadian market, travelling to the U.S. about once a month. In 1893 a second depot was opened in Toronto. Increases in the U.S. tariff on imported glass, in 1890 and 1897, continued to restrict Pilkington's sales in the American market.

Pilkington's Canadian distribution business was based on the specialty products of plate window glass. In addition to the warehouse, the Montreal operation employed forty hands to silver and bevel plate glass mirrors, a Pilkington specialty, the largest such operation in Canada, feeding the Victorian pandemic for large ornate mirrors. In 1895, Pilkington began making wired glass at St. Helens, using an American patent. Wire glass, a one quarter inch thickness of glass, with a sheet of wire netting embedded in it, was extensively used in railway stations, warehouses, and machine shops in Canada.

The largest glass company in Canada, employing about 1,000 hands, was the Diamond Flint Glass Company, founded about 1880, with head offices and works in Montreal and plants in Toronto and Hamilton. Diamond Flint specialized in producing glass tableware and druggists' bottles, a niche quite separate from Pilkington's focus on window glass. Pilkington's major competitor in the Canadian market was Belgium glass, re-exported from Britain. Belgium plate glass producers, the most important in Europe, were represented by the Union Commerciale des Glaceries Belges, the selling agency for a number of leading producers. The Belgians were the leading members of the Union et Commerciales des Glaceries, formed in 1904, the federation of the national glass selling agencies.

The introduction of the British Preferential Tariff (B.P.F.) in 1897, granting British goods a tariff rate approximately half that paid by other foreign producers, gave Pilkington a price advantage over American competitors, and made its glass competitive in Canada with the lower priced Belgium plate glass. Following the introduction of the B.P.F., Canada became Pilkingtons "most important single overseas market for glass. Exports of all kinds of glass to Canada increased in annual value from just over L50,000 in the early 1890s, to L237,000 in 1906" (Barker, 1960:195-96). In response, Pilkington added to its existing warehouses in Montreal and Toronto, depots in Vancouver, Winnipeg and Calgary.

The company continued to appoint employees from St. Helens, or friends of the Pilkington family, as their Canadian selling agents. At the turn of century, the agent in Vancouver, A.G. Thynne, the seventh son of the Duke of Newcastle, had been a school chum of a Pilkington. In 1903, a warehouse was opened in Vancouver, at Powell Street and Columbia Avenue, with Thynne as the first manager. In 1906, Pilkington set up a warehouse in Winnipeg, on Market Street.

In 1910, H.R. Harrison was sent out from England on the S.S. Victoria. After reporting in Montreal, Harrison and a younger employee, William Dougan, also from St. Helens, set off by train for Vancouver. Harrison joined the Vancouver staff as the only country salesman, with territory initially extending to Banff, Alberta. Vivian Graham, also from St. Helens, was the agent in Calgary. Graham arranged to take over Banff as part of his territory because of more favorable freight rates. Two years later, in 1912, a warehouse was opened in Calgary.

Harrison further developed the British Columbia market. Vancouver was supplied by ship, by way of Cape Horn, rather than by rail. One large bent plate for a store front was broken four times in transit and therefore took about two years to replace. Many of Harrison's trips were made by ship, up the coast, calling on the Queen Charlotte Islands. Salesmen in various lines of goods would lay out their samples on the deck of the ship. Customers came aboard to make their purchases. The Pilkington representative carried no samples, and could do little business except in larger centres.

The Canadian business, and developments in glass-making technology in the U.S., came under close scrutiny by one of the Pilkington clan. Austin Pilkington moved to Colorado for health reasons. He regularly visited the Canadian operations and was close enough at hand to observe the efforts by the American Window Glass Co. to mechanize glass-blowing by the Drawn Cylinder method. While the process was being developed for commercial use, the American company protected its patents in Canada by building an experimental 'phantom' plant at Cayuga, near Hamilton, in 1906. This plant was never intended to be a commercial operation, but it was fired periodically to produce minimum quantities of glass to protect the company's Canadian patents on the Drawn Cylinder method. The Americans were hoping to get higher tariffs on glass, which would make Canadian production possible. Pilkington's profitability in Canada partly depended on there being no domestic producer. Pilkington headquarters lobbied the Canadian government, promising Canadian dealers f.o.b. Liverpool prices (Barker, 1977:215, cites PA PB1/430 petition signed by Arthur R. Pilkington on behalf of Pilkington Brothers Ltd. to the Canadian Prime Minister, Minister of Trade and Commerce, and the Trade Commissioners, 26 Oct. 1906). Canadian glass dealers supported Pilkington with their own petition to the government.

The Thorold Glass Plant

By 1907, the Drawn Cylinder process was nearing commercial viability. The Pilkington Board anxiously watched developments. After much debate, in 1909, Pilkington bought the patents for the Drawn Cylinder process, for use in Britain and Canada, from the American Window Glass Co. of Pittsburg. Part of the agreement with using the new process at St. Helens, was that the Canadian rights be exercised. In 1911, the newly elected Conservative government raised tariffs on glass imports, maintaining the British Preferential Tariff, but at a higher rate. American Window Glass threatened to develop the Cayuga plant into a commercial operation and sell their glass in direct competition to Pilkington. The subsidiary plant would not only jump the high tariff wall and sharply cut down on delivery time, but placed the Drawn Cylinder patents in jeopardy, and therefore the huge investment in facilities underway using this process at St. Helens. Entries in the Board Minutes make it clear that the firm was apprehensive lest their failure to do this [exercise their Canadian patents] should lead to the invalidation of their patent rights there" (Barker, 1960:195).

Feeling anxious and threatened, the Board, in early 1913, decided to build a plant it did not want in Canada and sent out R.F. Taylor and J. Railton to inspect possible sites. The choices were narrowed to Windsor, because of its proximity to Detroit, and to Thorold, on the Welland Canal. Both sites were reasonably close to the main U.S. competitors in the Pittsburg area. Austin Pilkington recommended the Thorold location, and arranged for the purchase of the 142 acre McDonagh farm. The Board approved plans for the plant, costing £50,000, in April 1913. In June 1913, the local paper reported that the sod turning ceremony was performed, "with little ado and no previous announcement It was a quiet crowd, the way they do things in England" (Thorold Post, June 10, 1913).

The site chosen for the plant was three miles from the town of Thorold, Ontario, on the Niagara Escarpment above St. Catharines, close to supplies of sand and limestone needed in production.

The plant was constructed between the Welland Canal, by which coal from the U.S. could be brought, and the Welland Railway, which established a junction at the plant, used to ship carloads of finished glass. Natural gas, needed for the Drawn Cylinder process was brought by pipeline from the nearby town of Niagara Falls.

The plant construction, by the company of Samuel Austin and Son, Cleveland, was supervised by R.F. Taylor, who had experience with the Drawn Cylinder process at St. Helens. The plans, sent from St. Helens, would cover 25 acres with 190,000 square feet of large steel-framed, brick buildings: a furnace building, 200 by 90 feet, with a wing, 100 by 90 feet; a flattening building, 250 by 200 feet; a sub-station with a 140 foot stack; a building for the production of natural gas; and two large warehouses. Railway switches were laid and noted on the railway timetables as Pilkington Station. Along with the plant, 12 single, and 13 double houses were built for employees, as well as a school, a store, and a recreation hall.

By May 1914, the tank was installed, and the factory went into operation. On August 4, 1914, German troops invaded Belgium, and imports from Pilkington's main competitor abruptly stopped. From the start, the plant could sell all it could produce. Unfortunately, for four years, it could not produce window glass with the new Drawn Cylinder process.

The factory initially produced Rolled Plate glass, the staple product of Pilkington. The ladle pouring method was used, with three tables, one for Wired Glass, and two for Rough Cast. The machinery for the Drawn Cylinder process was installed, but R.F. Taylor, brought back from St. Helens, could not get the process to work properly. "In the Cylinder Drawn process the molten glass is ladled from the tank into special clay pots, from which it is drawn upwards against a stream of forced air. This air "blows" the glass into a huge cylinder sometimes forty feet long and four feet in diameter. The cylinder thus formed is then cut into several shorter cylinders which in turn are cut into curved sections, flattened in a "flattening kiln" to become large sheets of fine glass. This was, of course, a very laborious process, and amongst its several disadvantages was the fact that during the flattening stage, if ordinary producer gas was used in the flattening kilns, a bluish sulphur stain was sometimes imparted to the glass. But if natural gas was used the stain was eliminated. One of the reasons for locating the new Works near Thorold was the presence of natural gas" (*Pilkington News*, March 1952). The quality of glass was lower than that of hand-blown, but it saved the labor cost of skilled glass-blowers, and produced a great quantity of glass which was sorted to reject the poor quality batches. Production was, nominally, 15 oz. and 21oz. glass, although the substance might vary from that of an eggshell, to 32 oz., in the same cylinder. Twelve kilns were used for flattening the cylinder. Each Saturday at 4 p.m. the tank was burnt out, to be restarted at midnight Sunday. Although the tank was sealed, the temperature would drop during this time from about 2,200 degrees F to about 1,000 degrees F.

The breakage rate in Canada for the Drawn Cylinder process was 12% to 18%, while at St. Helens the rate was 2 1/2%. Pilkington executives, directing the operations from the U.K., could not deal with the problems at Thorold. Cecil Pilkington wrote from St. Helens: "It is a great disadvantage to be at such a distance off from the plant. Whenever we ask how much fuel is being used, or what the flatteners are doing per hour, your returns of output, they seem so far behind, particularly in questions of cost, that we are unable to give as good considerations to the questions at issue as if the rough general estimate was furnished each week" (Barker, 1977:227). By 1918, when the Thorold plant had lost \$664,000 over the four war years, the Drawn Cylinder process was finally operating to quality standards.

The hamlet by the mill became known as Windle Village, after Colonel Windle Pilkington, a senior partner. Most of the tradesmen for the factory were brought out from St. Helens, including the factory manager, R.F. Taylor, and the warehouse manager, Alfred Bolton. The production manager, James Railton, and his assistant, Dave Railton, the three tank managers--W. Owen, W. Jones, and J. Burroughs, were all expatriates. George Butcher, brother of Fred Butcher manager of the Winnipeg warehouse, was the office manager, and James Dickie the paymaster. In the factory, meals were prepared and served to employees for 25 cents. Although the tradesmen were largely from St. Helens, "the labourers in the plant were principally Italians, Roumanians and Bulgarians. They erected rough shacks from old lumber and building paper--to maintain any really sanitary living conditions for these people was a problem. (A. Bolton, 1944).

Plant employees who did not live in Windle Village had to catch the 7 a.m. train from Thorold to Pilkington Station, returning to Thorold at 6 p.m. Some Thorold businessmen bought several old cars to transport employees' wives to Thorold for shopping, at 5 cents a ride. Despite the isolation of the village, people who lived there remember many happy times. A committee was appointed to operate the recreation hall. Dances, attended by whole families, are still fondly remembered (Dorland, 1993). A library was started, and Austin Pilkington sent a large case of books after he returned to England from one of his visits. A choral society, and an amateur dramatic society were formed. A Sunday School was started, taken by various employees, until it was eventually arranged that some Thorold ministers would come out after holding their own Sunday services, to give nondenominational services in the Hall. When the First World War started, and many of the men from the factory joined up, the ladies engaged in Red Cross work, sewing, knitting, and running bazaars. The employees also had a soccer team which played in the local league. There was a bowling green, and this was flooded in the winter for use as a skating rink.

When the French munitions ship, the Mont Blanc, exploded in Halifax harbor, December 1917, levelling much of Halifax, and shattering windows as far as Truro, sixty miles away, Pilkington donated several carloads of window glass from Thorold. It stopped all shipments of glass going elsewhere, and concentrated on shipments to Halifax, to help in repairing, and rebuilding, the city.

Post-war Problems

The absence of competition from Belgium during the war gave Pilkington time to try to improve the quality of glass produced by the Drawn Cylinder process at Thorold. In 1918, for the first time, the Thorold works made a profit. The plant showed its highest sales ever in the post-war boom in 1920, but, a minimal profit. In 1920, Belgium glass again flooded into Canada. Belgium manufacturers were able to sell their glass at prices considerably below Pilkington's. In 1921, the price of Domestic Sheet Glass was cut, overnight, by fifty percent.

The Thorold works could not operate profitably. Several factors contributed to its losses. The main reason was the renewal of Belgium competition, but an unavoidable plant closure in 1921, for two years, and new domestic competition from the American producer Libbey-Owens, added

to the problem. At the same time, a new glass-making process was being developed by Ford and Pilkington, making the never very effective Drawn Cylinder process at Thorold, obsolete.

The plant was closed, in 1921, when blasting through rock for the new Welland Canal shook the building and broke the molten glass tank. Part of the railroad had to be changed, and bridges built over the new canal. During the two year closure, many experienced workers left the area (Grennall, 1993).

While the plant was closed, Pilkington reassessed its Canadian position. The losses at the Thorold plant were compounded by losses in the distribution of glass from St. Helens. As a result of the problems of supervising the Thorold plant from St. Helens, and the losses in the warehouse operation, the company changed its Canadian organization to a subsidiary, to give it more autonomy. Pilkington's sales, both the imports from St. Helens, and the Thorold output, which had been handled by the Montreal selling agent, were now managed by new headquarters opened in Toronto under a General Manager, William Tunnock, soon succeeded by J.E. Harrison, both St. Helens' expatriates. With the Canadian subsidiary a separate financial entity, the company could follow the performance of the plant, and the selling agents, in more detail.

Performance of Thorold Drawn Cylinder Sheet Glassworks, 1918-1925

Half Year Ended	Thorold Works Sheet Glass Sales \$	Profit/Loss \$
June 1918	464,369	65,977
Dec 1918	458,500	64,589
June 1919	498,713	21,607
Dec 1919	491,811	77,440
June 1920	789,221	83,318
Dec 1920	820,776	1,464
June 1921	316,332	-261
Dec 1921	339,953	-190,284
June 1922	158,181	-116,227
Jan 1923	11,432	-149,894
July 1923	138,122	-174,302
Jan 1924	374,947	-137,007
July 1924	272,235	-222,766
Jan 1925	25,398	-56,338
July 1925	5,066	-53,537
Jan 1926	-38	-83,401

(Pilkington Central Statistical Department; PA PB 257, Jan. 1933)

Pilkington was also alarmed by the prospect of Libbey-Owens, an American glass company, opening a plant in Hamilton to produce flat drawn glass. Austin Pilkington, after inspecting the Thorold plant, wrote in 1921, "The factory is in good shape. ... There is no hardship among the men. They are better off than they would be at home as food and housing are so cheap. None are

unemployed. The village is a brighter place, or would be, at least, if the factory were going. The question of whether we can work it when ready is one on which we find it difficult to speak definitely. It is a question with many bearings dependent partly upon the price which we can get, the effect upon L[ibbey]-O[wens] and upon the position at St. Helens. ... I can only say that the more I see and hear of the relative position of the A[merican] W[indow Glass] Coy and the L.O., that now, for the sake of St. Helens and Thorold, we ought to be able to start up if there is any further price improvement in Belgium" (Barker, 1977:297).

In 1922, the British Preferential Tariff was lowered, giving Pilkington price parity with Belgium competition. The Canadian warehouse operation made a record profit selling imports from St. Helens. The Libbey-Owens Co. of Toledo, Ohio, which had developed a new ribbon glass process, decided to manufacture in Canada to pick up business Pilkington had lost from the Thorold plant closure. In 1923, they opened a factory in Hamilton. To meet the new threat, the Thorold plant was reopened. But many of the skilled workers had left the village, resulting in quality problems.

For two years both companies sought to create a demand for their products, but cut-price competition from Belgium was overwhelming. In 1924, the Libbey-Owens factory shut down, and later that year Pilkington closed the Thorold Works for the last time. The small market and low-priced competition from the Continent, made it impossible for the Thorold factory to maintain economic production. Prior to the war, Belgium sheet glass sold for \$1.75 per 100 feet. During the war, U.S. sheet glass sold for about \$12.00 per 100 feet in Montreal. When the Belgians reentered the market, after the war, the price dropped to nearly \$1.75 by 1928 (Gibson, 1959).

Technological changes made only very large scale plants efficient. "Pilkingtons entered a further period of intense competition and radical technological change. Competition cut prices, pored away profits, and made saving all the more difficult just when technical change made necessary a high level of investment" (Barker, 1960:203). Pilkington had developed a continuous grinding and polishing system. They traded their skill at this process, with Ford, for details of the Continuous Flow process Ford technicians had developed, in 1922, for producing auto glass. Ford needed Pilkington's scale of production, and Pilkington needed Ford's technical secrets. In 1923, Ford and Pilkington formed the first continuous plate glass manufacturing line at St. Helens, making the Drawn Cylinder process obsolete. By the mid-1920s, Pilkington had reestablished its international advantage in plate glass manufacture. But the scale and scope of operations meant that a glass plant in Canada, serving the Canadian market, was not efficient.

At Windle Village the machinery was dismantled and sold for scrap. Houses were emptied as workers found jobs with glass companies in the United States, or were transferred to other Pilkington branches in Canada. Some went home to St. Helens. In 1936, the deserted plant, complete with Pilkington Station and Windle Village, was bought by Sir Harry Oakes. In 1939, the government converted the buildings into a military base, the Allanburg Barracks. After the war, the plant was purchased by the Hayes-Dana Corporation and developed into an auto parts plant.

The Thorold plant was a financial disaster. Barker summarized the cost. "For a decade ... the factory had effectively eaten up all the profit which Pilkington had come to expect from its Canadian sales organisation. Nor is that the whole story, for, apart from the loss of the capital

invested in the factory itself and its accompanying village, sales of unprofitable glass made at Thorold deprived Pilkington of manufacturing profit on sheet glass from St. Helens which would otherwise have been sold in Canada" (Barker, 1977:299). The Thorold misadventure left Pilkington apprehensive, for many years, about building another overseas plant.

In retrospect, the Thorold plant had not been needed. The Drawn Cylinder process had problems which were never effectively resolved, even at St. Helens, and was replaced by a newer technology. Pilkington learned that it could defend its Canadian market share from American producers, even those such as Libbey-Owens, who jumped the Canadian tariff wall by building a Canadian branch plant, by supplies from St. Helens (Patterson, 1976:111).

Collusion and price fixing proved more effective ways of protecting market share than branch plants. In 1929, the Pilkington headquarters negotiated an agreement with the European producers, represented by the Convention Internationale des Glaceries. "Its principal provisions called for the division of the total business in export markets between the participants on the basis of the position which each had held during the four years 1925 to 1928 inclusive and for agreement upon selling prices. Basic selling prices for Canada were then established under this agreement and the Canadian company received instructions not to vary these prices" (Department of Justice, 1949:9). Pilkington's Canadian General Manager, J.E. Harrison, also worked out an agreement with the Pittsburg Plate Glass Company, the leading U.S. exporter of plate glass to Canada, that Pilkington would not export glass from Canada to the U.S., and, in return, the U.S. company agreed to "refrain from expanding its sales to Canada and from dealing with new Canadian customers." Libbey-Owens-Ford also assured Pilkington it would not expand its Canadian market share and would observe the agreed upon price structure. It took the Canadian government twenty years to notice.

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NIGHT OF THE LONGEST DAY: THE RECEIVERSHIP OF ABITIBI POWER AND PAPER*

This article provides an overview of the most complicated regime of receivership in Canadian business history. The difficulties of reorganization after the great merger movement in pulp and paper, and the conflicts that unfolded among various interests, are highlighted. Observations are drawn about financial practices and the connections between state and enterprise during the formative era of Canadian big business.

During the autumn of 1934 Sir Charles Fitzpatrick, a holder of 125 bonds of Abitibi Power and Paper, wrote the new Premier of Ontario about whether rumours of reorganization for that firm were valid and whether the government might intervene. "Excuse a stranger for trespassing on your kindness, but there is, at least, a *bond of sympathy* which unites us." (RG3, 226) His play on words was open to alternate interpretations but the letter recognized that the fate of Canadian enterprise often was bound up with concurrent actions initiated by financial capitalists and the public sector.

During the first half of the twentieth-century modern business emerged as new technologies enabled dramatic increases in corporate size and the transitions of industries to oligopolistic structures. Much of the literature in business history has considered how this development occurred and how different factors conditioned it. (see Chandler, 1977, 1990; Galambos, 1983) The focus understandably has been upon the emergence of successful companies but the process did not unfold as a linear progression. Many companies failed to transform and in various sectors competitors were forced into receivership synchronously through mismanagement or strategic error. Despite the significance of this phenomenon only a few authors, like Daggett (1908) and Campbell (1938) with American railways or McDowall (1984) with Algoma Steel, have looked at the development of receiverships.

Rarely did reorganization assume the significance that unfolded among Canadian newsprint manufacturers during the 1930s. All of the firms resulting from the merger movement of 1926 to 1930 were beset by difficulties before economic depression triggered collapse. While most survived this period, they endured receiverships lasting from a few months to several years. But one instance, that of Abitibi Power and Paper Limited, stretched from 1932 to 1946. Many stakeholders in the company's affairs found themselves ensnared in a tortuously convoluted set of disputes. The receivership not only became the longest in Canadian history and involved the largest Ontario manufacturer, it spawned several royal commissions, made or broke innumerable careers or reputations, provoked endless legal battles including appeals that redefined constitutional law, and exposed to unprecedented view the machinations of different interests.

This article examines the key events of the receivership although developments for other manufacturers, various plots and scandals must be passed over. The narrative proceeds from the origins of the failure, through the major initiatives to the state-sponsored resolution. Some of the issues and implications are appraised in the final section.

Blind Man's Holiday

Abitibi was founded by Frank H. Anson, an American entrepreneur whose sales success had led to an appointment with Ogilvie Flour Mills and membership on the board of Dominion Box and Paper. With financing provided by Shirley Ogilvie, who served as a vice-president and director, an agreement was reached with the Ontario government to build a pulp mill in exchange for timber and water rights. (RG18, B-102, P, 63-80) A site was organized at Iroquois Falls on the Abitibi River and production began during 1914. Financing initially was carried out in Canada but Anson approached Alexander Smith, the head of Peabody Houghteling and Co., a Chicago-based investment banking house. Given the elimination of the U.S. tariff on newsprint in 1913, Smith pushed for vertical integration from pulp into newsprint. This led to the incorporation of a new firm and a doubling of the capitalization to \$10 million. Peabody Houghteling received Abitibi stock for its services and Smith became a vice-president. Like other pulp and paper

* The generous assistance of the staff of the Ontario Archives is acknowledged with appreciation.

companies, financing was principally carried out by sales of bonds based upon prospective earnings. Discounts on bond issues, excesses of the 'purchase prices' over the nominal book value of assets, and financial costs were added to the timber limits account. Common stock then was sold at 75% discount from par as 'fully paid.'

Anson stayed in New York, occasionally visited the Montreal headquarters and left day-to-day management with local officials. This practice continued when Smith, who concentrated upon his financial enterprise, assumed the presidency in 1923. Both executives used their personal contacts with members of the cabinet to bypass the bureaucracy and garner approval for an elaboration of timber, water and railway rights.(RG18, B-63, P, 422-480; RG18, B-102, 18-169) Despite their lack of involvement in productive operations, under Anson and Smith the Iroquois Falls plant became the most cost efficient in Canada and the company experienced strong economic performance. No attempt was made to integrate fully into marketing and the G. H. Mead Co. of Ohio acted as agent for foreign sales. Peabody Houghteling handled much of the financing for the Mead and Backus groups of forest companies and Smith had Abitibi take stakes in new Mead ventures.(FP, 1 April 1933)

During the 1920s the capacity of Canadian newsprint producers doubled in response to apparently unlimited demand as print media in the United States and Britain proliferated. High rates of return attracted financiers like Herbert Holt and J. H. Gundy, while American producers and publishers sought long-term security from Canadian operations as sources of low cost pulpwood decreased. Provincial governments not only favoured the employment associated with these activities but encouraged large investments for long-term economic stability. By the late 1920s one in three industrial jobs in Ontario was directly or indirectly related to forest products. As one journalist rhapsodized, domestically-produced newsprint "dominates the earth. Canada rubbed an Aladdin lantern of pulp and paper, and now — behold!"(Macleans, 15 October 1928) Over-production and declining returns, however, emerged during 1926 and triggered a series of mergers aimed at rationalizing operations.(Nelles, 1974; Piédalue, 1976)

In October of 1927 the book assets of Abitibi expanded from \$35 million to \$166 million when Smith acquired from the Mead group: Spanish River Pulp and Paper; its interest in Manitoba Paper; holdings in Ste. Anne Paper, Murray Bay Paper and Fort William Paper under construction; and a variety of hydro-electric facilities and timber concessions. The consolidation, which created the largest newsprint producer in Canada, was generally perceived as beneficial and had long been rumoured. With an expansion of paperboard activities in the U.S., George Mead could not deal adequately with his Canadian operations. The economic status of the facilities deteriorated as competitors built new plants and as newsprint prices tumbled from \$115.00 to \$65.00 per ton between 1923 and 1927. With consolidation Abitibi was expected to realize greater economies and to balance output among its mills, thereby enhancing industrial stability.(PPMC, 27 October 1927; FT, 9 December 1927) During 1928 the firm acquired a 50% interest in Thunder Bay Paper and a 22% interest in Newsprint Bond and Share, a consortium headed by Mead which unsuccessfully sought to pro-rate output among producers.(see Nelles, 1974) Finally, during 1930 the product mix was diversified through the purchase of Provincial Paper, a fine paper manufacturer.

The Spanish River acquisitions were carried out by share exchanges based upon book value and were not subjected to an independent appraisal. A consolidation appeared favourable because Spanish River had regularly reported 7% common and preferred dividends but this had been abetted by manipulation of depreciation or raids on reserves. Demands from Sun Life Assurance, the largest holder of Spanish River preferred stock, for favourable terms hindered the willingness of executives to value properties critically. In fact, some mills had not established earnings patterns; the Espanola and Sturgeon Falls were antiquated; and important timber limits also had been logged out of spruce, leaving high cost wood. 'Fair valuation' was accomplished by phasing over four years when former equity holders of the subsidiaries would start collecting dividends on Abitibi stock.(CSI, J21-J25; auditors' analysis in RR, [1934])

Based upon historical earnings, Smith promised a \$4.00 common dividend *per annum*. A sale of \$50 million of 5% bonds and \$26 million of 6% preferred stock covered a redemption of the issues of subsidiaries, the largest in Canadian history. The financing, handled by Royal Securities of Montreal and National City of New York, eliminated high cost issues or near maturities and was consistent with prevailing practices. Investment in pulp and paper between 1925 and 1929 increased by \$194 million of which 48.5% came from bonds and 26% from preferred stocks.(Forsey, 1935) Institutional investors treated first mortgage bonds as *sine qua non* but the ability to meet obligations was judged by calculating debt charges per ton produced, typically assuming full capacity — a level attained for short periods under optimal conditions. Annual funding needs thus appeared comparable to other firms.(see Table 1) The risks associated with fixed charges, along with sinking fund needs, were dismissed although by mid-1928 price-cutting eviscerated any relationship between price quotes and monies received.(PPMC, 24 May and 28 June 1928).

During the 1920s corporate officials also sought to expand water rights which would provide electrical power for increases in capacity.(RG3, 35, 64, 67) Saddled with debts from the Hydro-Electric Commission of Ontario or HEPCO, the Ferguson administration was reluctant to invest in facilities for sparsely-populated areas. During 1926 it granted approval for the company to develop the 'Abitibi Canyon' rapids. Despite a lack of work and objections from Hydro officials, the scheme was re-negotiated in 1930 for completion by 1932. The largest in Ontario since HEPCO's development of the Niagara powers, it would employ more than 3,500 workers, an important benefit as economic conditions deteriorated. A secret clause called for long-term purchases and re-purchases of electricity between the utility and Abitibi subsidiaries in order to ease the raising of funds, an arrangement the Commission accepted when an order-in-council indemnified it against any losses. An issue of bonds brought in \$18 million, well short of the minimum of \$23 million needed for completion.(RG3, 232; RG18, B-89, 4-17)

Gloaming

Demand for newsprint declined after the spring of 1928 but aggregate production did not drop. Although a goal of the mergers had been industrial rationalization, the top four firms accounted for less than 40% of capacity and could not enforce cartel-like behaviour. Various firms maximized output to build market share, to garner efficiencies from capital-intensive operations, and to cover partially fixed costs. State-supported pro-rationing failed to restore stability when producers ignored or cheated on regulations.(F8, MU 1020; Nelles, 1974) As non-commercial facilities (selling directly to publishers) expanded, the demand subject to competitive bid declined, and monopsonistic purchasers imposed price cuts. Provincial grants of timber and water rights required specific levels of production and employment. When non-economic operations were reduced authorities immediately threatened sanctions.(RG3, 142)

With nearly a third of capacity in high-cost mills which could not be operated at low prices, Abitibi was especially vulnerable to this environment. Sales as a proportion of capacity dropped from 63% to 28.4% between 1928 and 1932, well below industry averages.(RR, [1933], 21) Creative financial statements, however, obscured the ability of observers to appraise the enterprise accurately. All estimates of earnings were consolidated and legal entity income data were not published. Fictitious balancing figures made up the timber limits accounts in order to legitimize the purchase prices of merged firms. Depreciation and depletion were presented idiosyncratically, while the statement of surplus and profit or loss emphasized change in the surplus. Executives selectively wrote down investments and did not highlight signals like pledges of assets as collateral for loans or the share of current assets accounted for by unsold inventories.

Abitibi's status deteriorated as weakness followed short periods of stability. The attempt to establish a \$4.00 common dividend proved disastrous when payments vastly exceeded total earnings, compelling a suspension of common dividends during 1928. Production was suspended at Espanola and Sturgeon Falls in 1929 and, after re-opening intermittently at the behest of the government, ended in 1931. Ownership and the liabilities of Thunder Bay Paper had to be assumed when Canada Power and Paper entered receivership. Dividends on the 6% and 7% preferred were suspended in 1931 and creditors sought receivership during June of 1932 when Abitibi defaulted on bond interest. The New York exchange delisted its securities but they continued to be traded in Canada.

The Supreme Court of Ontario under provincial law appointed as Receiver and Manager Geoffrey Teignmouth Clarkson who had served as a receiver for pulp companies and as a consultant to the government. Under federal law a Liquidator was appointed to represent the unsecured creditors and shareholders if the firm was ordered to be wound up. Each class of securities formed a committee to safeguard its interests. The most important was the Bondholders Protective Committee (BPC) which delegated a Bondholders Representative Committee (BRC) to appraise proposals.

A welter of conflicting legislation governed the process of reorganization. Only scattered regulations dealt with insolvency until the federal Bankruptcy Act of 1919 authorized provincial supreme courts to deal with the affairs of financially-troubled firms. Formal reorganization under that statute, however, required a declaration of bankruptcy and dissolution of an enterprise or the issue of new share capital to creditors or stockholders. Various 'companies' or 'winding-up' acts passed by federal and provincial regimes were intended for solvent firms and the protection of shareholders rather than creditors. These allowed voluntary dissolution or reorganization if approved by a majority of each class of creditors and if then sanctioned by the courts and shareholders. A liquidator would be appointed, the board would cease operation, and the liquidator would distribute assets among the claimants.

In Ontario, following British protocols, corporate bond issues were secured by trust deeds providing for a fixed charge upon fixed assets and a floating charge upon all other assets. In a default bondholders could secure the appointment of a receiver and could try to re-coup their investment through a judicial sale of an entire firm. Whereas in

TABLE 1

ABITIBI CAPITAL STRUCTURE AND MAJOR PROPOSALS, 1931-1946

	<i>1931 Structure</i>	<i>1937 Ripley Plan</i>	<i>1939 BPC Plan</i>	<i>1941 McTague Plan</i>	<i>1946 Structure</i>
Asset Value	\$191,696,000 (nominal book)	\$77,187,000	\$30,000,000	Denied possibility of valuation.	\$124,869,000
Control and the Board of Directors	Clarkson took control in 1932 with 3 members of BPC as advisory board.	Nominal management shifts and a majority of the board to bondholders.	Management unspecified but the BPC effectively to control board.	Management unspecified. 4 bond- and 3 share-holder directors.	New managers. Bondholders had a majority of board until 1947 refinancing.
Bonds	\$54,055,000 5% principal first mortgage bonds	\$48,267,000 princ., & int. \$15,189,022. Convert to 5% \$24,133,500, 5% \$33,796,900 & 241,335 common shares. \$14,000,000 new 4.5% bonds for cash.	\$48,267,000 princ., & int. \$19,910,318. Convert to 1,610,680 common shares. 1,930,680 shares to be held in escrow for warrants @ \$36 per share.	\$48,267,000 principal & interest to 1 December 1940 but no interest-on-interest after. Bond maturity to be extended from 1953 to 1965. Sinking fund eliminated.	\$53,094,000 principal, no equity stake for bondholders. Allowed \$1,100 bond for each \$1,000. (\$525 outstanding balance of principal and \$575 interest)
7% Preferred Shares	10,000 shares @ \$100 p.v. \$1,000,000 valuation.	To 50,000 common & 50,000 warrants for 14.9%	To 6% of common share warrants.	To reduce dividend to 3-1/2% and non-cumulative in nature.	To 5 preferred \$20 p.v., cum. 1 Jan. 1945 \$2,083,000 valuation.
6% Preferred Shares	348,818 shares @ \$100 p.v. \$39,382,000 valuation.	To 1,220,863 common & 1,395,272 warrants for 75.7%	To 72% of common share warrants.	To reduce dividend to 3% and non-cumulative.	To 4 preferred \$20 p.v. each, cum. 1 January 1947 & 2 common shares. \$39,060,000 valuation.
Common Shares	1,088,116 shares n.p.v. \$57,784,000 valuation.	To 108,812 common shares & 544,059 warrants for 6.7%.	To 6% of common warrants.	No specified changes but get nothing if a new receivership.	2 common to 1 share n.p.v. \$3,264,000 valuation.
Creditors	\$749,000 claim.	Full settlement in cash.	To 16% of common warrants.	50% of total claim to be paid over four years.	Claim to \$900,000 but no interest.
Annual Funding Needs	\$6,076,258 excluding OPS, common div., & \$1,500,000 sinking fund.	\$4,026,020 excluding sinking fund.	Not specified.	Not specified but about \$3,700,000.	\$4,873,000 excluding sinking fund.

the United States receivers were appointed by courts at the instance of ordinary creditors, in Canada the bondholders as mortgagee thus precipitated the appointments. A receiver was required to be neutral and to secure payment on the claims but also to preserve a firm for the benefit of all. Nevertheless, the bondholders were the sole group which could force a sale of a business by foreclosure under provincial law. Other security holders had to rely upon a liquidator to block such efforts but the judiciary tended to accord the enforcement of trust deeds absolute primacy. During the 1930s demands to apply to firms legislation suspending foreclosures on household mortgages deepened this legal murk.

Reorganizations tended to occur under the federal Companies Creditors' Arrangement Act (SC, 23-24 George V, c. 37) if trust deed modifications were required. On application to a provincial supreme court bankruptcy or winding-up proceedings could be stayed and meetings held to appraise a scheme. Three-quarters of a meeting of each class had to accept a proposal. Otherwise a court had to reject it and no provisions allowed for on-going negotiations or amendments. The CCAA procedures therefore enabled even the most junior of security holders to derail a plan which they deemed unfavourable. (see McDowall, 1984) During 1935 the Ontario Judicature Act was amended to bypass these rules and to allow the sale of a firm by a majority vote of the outstanding bonds alone, subject to judicial approval. (OS, 25 George V, c. 32) Specifically designed to help a restructuring of Abitibi, the amendment also was a new attempt to extend provincial authority over corporations. (see Armstrong, 1981) First applied in a controversial sale of Great Lakes Paper, it was widely criticized as an infringement of federal jurisdiction which could deny a fair settlement to other classes. (see Nelles, 1974; OWN [1936], 13)

Between 1932 and 1936 more than thirty reorganization ideas were suggested, many by interests wishing to underwrite new securities, but few advanced noticeably. Other newsprint firms were smaller or quasi-holding entities that had not consolidated acquisitions. Thus, new financing could be amassed more easily or claimants for one subsidiary might be played off against those of another. Moreover, the Abitibi bondholders insisted upon the full value of their claim and, learning from the experiences of participants in other reorganizations, refused to accept extraordinary losses. Operating below half of its rated capacity, for nearly five years the firm could not meet fixed charges from earnings even before depreciation. (see Table 2) Given his limited mandate, Clarkson concentrated upon clarifying accounts, pruning away liabilities and maintaining viable properties but reorganization could not be attempted until relations with the Province were partially straightened.

Early in 1932 Smith indicated the Abitibi Canyon project could not be completed and sought government loan guarantees for the development subsidiary, Ontario Power Service — a notion that was rejected. When Abitibi and OPS defaulted, financiers including broker J. H. Gundy and Senator Arthur Meighen (who became a HEPCO commissioner in 1931) appealed for intervention as OPS bonds dropped to less than a third of their face value. The cabinet agreed to assume the project and ordered an exchange of \$18 million in HEPCO bonds for \$20 million in OPS bonds, an action denounced by the media and Liberal opposition as wasteful. Henry, Meighen and lawyers involved in the negotiations later admitted that they had 'forgotten' to disclose considerable personal and corporate holdings of OPS bonds when making the decision. (see F9, MU 1350; RG3, 232) The Liberals launched a vituperative campaign against the 'great Abitibi swindle' and ordered an investigation after their victory in the 1934 election. (RG18, B-89) Although questionable behaviour but no illegal conduct was found, due in part to extraordinary memory lapses, government lawyers used the 'royal inquisition' to defame Henry and his associates. (RG3, 334; Nelles, 1974; Saywell, 1991) More than \$6 million in contractors' claims remained and not until 1935 did the government offer a settlement. The provincial utility, nonetheless, launched a liability suit of \$40 million, alleging OPS had failed to purchase electricity as required in its contract. In 1937, after lengthy negotiations with the Receiver and the bondholders, a *quid pro quo* was reached which released the firm from any claims in exchange for a power plant needed by HEPCO.

Abitibi's passage into receivership also coincided with the expiration of the leases for its timber concessions. Since the firm had suspended operations in violation of agreements, most cutting rights could be cancelled at any time. Refinancing and a new trust deed were contingent upon reinstatement of the limits but provincial authorities refused to act before the receivership ended. If new limits were granted too early, Hepburn believed, his government might not be able to ensure that the terms of reorganization fit with public policy, a difficulty which had unfolded between the Taschereau administration and Price Brothers. Instead, during 1937 the Premier offered to restore the concessions if a plan was approved by the courts and it was then sanctioned by the cabinet. (RG3, 264; OS, 27 George V, c. 1)

Devil's Rout

During 1936 after repeated government requests the chair of the BRC, Joseph P. Ripley, a New York investment banker and former vice-president of National City, ordered enquiries to appraise properties, necessary improvements

TABLE 2

ABITIBI POWER AND PAPER: FINANCIAL TRAITS, 1928-1945

	1928	1931	1934	1937	1940	1943	1945
Gross revenues	\$13,566,000	\$11,064,000	\$9,702,000	\$21,755,000	\$23,499,000	\$27,940,000	\$29,763,000
Earnings pre-int/dep.	\$7,925,484	\$3,695,000	\$1,331,761	\$4,854,669	\$8,230,543	\$9,867,816	\$10,365,000
Working capital	\$12,097,000	\$10,909,000	\$(244,000)	\$5,303,000	\$18,828,000	\$24,736,000	\$26,892,000
Accrued oblig.							
Bonds	\$50,000,000	\$49,155,000	\$57,136,063	\$64,738,117	\$72,340,171	\$66,785,236	\$58,460,025
7% Pref.	\$1,000,000	\$1,017,500	\$1,227,500	\$1,437,500	\$1,647,500	\$1,857,500	\$1,997,500
6% Pref.	\$34,881,800	\$36,451,481	\$42,730,205	\$49,008,929	\$55,287,653	\$61,566,377	\$65,752,193
Market Prices							
7% Pref.	124.0-126.0	80.0-105.0	35.0-97.0	35.0-97.0	5.5-33.0	12.5-62.0	173.0-199.0
6% Pref.	81.0-177.5	7.0-50.0	1.3-15.5	14.3-80.0	2.0-17.5	4.3-60.0	93.0-109.0
Common	38.0-89.8	2.5-14.0	0.8-2.5	1.3-15.4	0.5-2.5	0.6-4.3	7-9.1

and working capital needs. Ripley accepted the principle of 'absolute priority' for the bondholders and therefore intended to end the receivership under the Ontario Judicature Act. The BRC planned to retain most of the managers; the bondholders would choose eight directors and the shareholders seven. Approximately \$25 million of 5% general mortgage bonds, \$33.8 million of 5% income debentures, and common stock would be received by the bondholders — slightly less than the total claim. A new issue of \$14 million would finance capital expenditures and a restoration of working capital.(see Table 1) Having helped to underwrite the 1928 issues, Ripley felt the equity holders should get some compensation. New common stock and warrants could, if fully exercised, give them 85% of the equity. However, the value of the offer was contingent upon uncertain future earnings which would justify use of the warrants and most of the old common equity would be written off.

The BRC held proxies for \$16.4 million of the \$48.3 million outstanding bonds and although the plan gained support from the 7% stockholders opposition mounted. Inventory purchases created a spurt in demand, bringing Abitibi's output to 85% of capacity in its economic mills. Common shareholders, believing this presaged recovery, claimed the plan was unnecessary. As rumours of reorganization circulated, security prices rose as speculators entered the market.(see Table 2) A quarter of the common shares was acquired by the British press baron Lord Rothermere who had gained control of Price Brothers. Hoping to keep Abitibi in a weakened state, Rothermere lobbied for natural recovery, not reorganization. The Liquidator denounced the scheme as unreasonable and claimed the OJA process was unconstitutional. Alleging the plan required too much new money, he advanced a proposal, to be carried out under the CCAA, raising \$9 million but with heavy sinking fund obligations. Bondholders would be denied convertibility and the common shareholders would get up to 12% in new shares or warrants — twice the level of the Ripley plan.

Rothermere and Wood, Gundy and Co. as bondholders declared opposition on the grounds that shareholders would receive inadequate compensation. Sir Henry Drayton, former finance minister and president of W. C. Pitfield and Company, formed a Bondholders' Defensive Committee to unify the investment banking interests which saw the \$14 million issue as an unacceptable sacrifice of the first mortgage position. Drayton charged Ripley with responsibility for the optimistic estimates behind the 1928 issues but then announced a plan for new bonds based upon speculative earnings projections.(GM, 8 and 11 October 1937) Recognizing a need to placate some critics, Ripley proposed an amendment which would secure the \$14 million issue with a mortgage subject to the 'prior lien' of the existing bonds.

Nonetheless, the bondholders' meeting degenerated into wrangling. Drayton and Ward Pitfield asserted Ripley's group could not claim to be representative of the bondholders because its proxies had been received in 1932 or 1935 and therefore were out of date, 'moth-eaten' or 'grave-yard' votes. Herbert Symington, counsel for Royal Securities and secretly representing Montreal financial interests, challenged the legality of OJA procedures. Senator Arthur Meighen and life insurance executives denounced what they saw as an unfair sacrifice to the shareholders. With 65% of the bonds represented, on vote 76% supported the plan. Approval thus was secured from slightly less than a majority of the bonds. (GM, 16 October 1937) Watching the parties kindle their bonfires of concern, one editor ruminated, "Legal costs on all sides will run high and most of them are expected to be met out of the resources of Abitibi. Some shareholders feel they will be paying for the show." (FP, 16 October 1937).

Opponents united against the move by the BRC by claiming that it was not a sale as defined by the OJA but a compromise of reorganization and thus fell under the CCAA. (OR, [1937], 939) They also noted that since less than 50% of all bonds had assented a sale could not be sanctioned. After meetings in which the parties failed to reconcile Justice McTague dismissed a motion for a sale. While the OJA could be considered *intra vires* for solvent companies, he ruled, only the CCAA applied to insolvent firms. Reorganization was necessary but the plan might unfairly allow unknown savings to accrue to the stockholders. In any event, since approval had been granted by less than 50% of all bonds the plan did not meet statutory requirements. (OR, [1938], 81) The Court of Appeal reconfirmed the OJA as *intra vires* but declared the question of reorganization moot since a sale had not occurred. (OR, [1938], 589)

Soul's Midnight

The prices of Abitibi securities collapsed with the failure of the Ripley proposal. (see Table 2) Rothermere sold off his common shares, while the insurance firms liquidated most of their holdings of preferred stock. (RSI, 1937-1939) By March 1939 as newsprint demand slumped, the value of all Abitibi securities plummeted to \$36 million *versus* debt and interest of \$68 million. The bondholders remained divided with the Drayton group and others advancing ideas but the BRC members resigned in frustration. The BPC was left as the sole active committee and it was dominated by Symington, the new chair, executives of life insurance firms and opponents of the Ripley plan.

Since the OJA process had proven impractical, the BPC either had to go under the CCAA or had to procure a cash sale under provincial law. Stressing the lack of a return, it claimed an equity stake no longer existed and chose to foreclose. The BPC proposed to distribute 1.6 million common shares in a new firm amongst the bondholders. (see Table 1) The old equity holders might purchase up to 1.9 million shares via warrants until 1942 but the committee secretly reserved the right to terminate this 'generous' option if anything impeded reorganization. Even before the plan was disclosed, Hepburn publicly described it as "eminently fair" and an order-in-council defined *any* scheme sanctioned by the courts as acceptable to the government, actions which set off a firestorm. (RG3, 296; GM, 11 March 1939)

Having stalled with the hope of recovery, the equity holders were threatened with elimination. They lacked the resources to buy out the bond debt and it became evident that twice the value of the proposed securities could be garnered by purchasing bonds in the open market. The leader of the Conservatives, George Drew, accused Hepburn of acting as "judge and jury" of a "new Ripley plan" worked out "behind closed doors." (GM, 14 March 1939) The financial media, perceiving the foreclosure as little more than theft, demanded intervention against the 'harsh' 'tyrannical conduct of the Shylocks,' 'the cold-hearted lot of monied gentry.' During the summer, as economic conditions improved, opposition mounted toward a scheme which offered shareholders less than the Ripley plan. Members of the BPC claimed to be on a "salvage job" and dismissed the equity as "worthless pieces of paper" for the original shareholders had "lost their money long ago." The current holders bought in 1937 "guessed unwisely and, therefore, wrongly, the same as other unsuccessful speculators" and were just trying "to get out at the expense of somebody else getting in to take the loss." (RG3, 296, Symington to Bradshaw, 11 and 30 August 1939) With media and public opinion nearly unanimous against foreclosure, the government used the outbreak of world war to legitimize a formal withdrawal of its support but failed to rescind the order-in-council of March 1939. (RG3, 296)

Despite threats by the Premier to cancel Abitibi's timber rights, the BPC applied for a judicial sale during May of 1940. Justice Middleton turned back objections and ordered a sale, arguing there was a duty to ensure the bondholders realized their security within a reasonable period. (OWN, [1940], 307) After motions and appeals were repeatedly dismissed, the Master of the Supreme Court fixed a reserve figure and authorized advertisement. When the sale was held only the bondholders' offer of \$30 million was accepted as legitimate. However, since it was below the reserve

figure the Master declared the sale closed and abortive. The BPC was left with the option on one month's notice of asking for a new sale — with a lower reserve bid or without a reserve figure.

In the wake of this debacle, the Hepburn administration formally rescinded the order-in-council which allowed reorganization under any plan sanctioned by the Supreme Court of Ontario. A royal commission was formed to recommend a solution equitable to all interests, comprising Chief Justice McTague, Sir James Dunn, president of Algoma Steel, and A. E. Dymont, chairman of Canadian General Electric. Executives, public officials and most of the actors associated with different schemes testified across two months of hearings.

Acknowledging the obligations of the government for economic development, the Commission's report characterized it as "perhaps the senior partner" of the industry. Abitibi's survival was contingent upon allocations of timber rights and, given excess industrial capacity, enforcement of a pro-rationing system. "Confidence must be restored and this can best be assured by constructive and sympathetic government action which recognizes a vested interest in the investments of the public," that is, protection of all groups of security holders.(RG18, B-102, R, 12, 20) A solution could not be based upon past earnings and a sale was inadvisable since a rational purchaser would not make an offer under war conditions or taxes. Because no price could be obtained approaching the principal and accrued interest, a plan was advanced aimed at maintaining the *status quo*. Bond maturity should be extended to 1964, with accrued interest and interest-on-interest recognized to December of 1940 but without accumulation of interest-on-pastdue interest after that. Preferred dividends should be slashed in half and provision made for working capital. It also proposed a restructured board with four bondholder directors and three for the shareholders.(see Table 1)

Existing legislation could not handle insolvency and had not established a procedure for discovering realistic valuation. Allowing bondholders to foreclose failed to account for the practical reality that "ordinarily no one but a committee of Bondholders could purchase the assets." Since this process could be to the detriment of junior security holders and any bondholders who legitimately refused to deposit their bonds, the "old mortgage procedure of foreclosure through the fiction of a sale seems to us to have no place in corporate reorganizations today." Rather, new federal legislation similar to U.S. practices should grant courts powers to examine deposit agreements, to mandate independent votes, and to decide whether there was equity for junior claimants.(RG18, B-102, R, 5-6) For commissioner Sir James Dunn this represented a curious reversal since, as a bondholder, he had used the ambiguities of Canadian law and special legislation to wrest control of Algoma Steel from the shareholders during 1935.(see McDowall, 1984)

Despite the formation of the McTague Commission, the BPC applied for a judicial sale without a reserve bid, a move stayed on request from the Attorney-General. Two weeks after the delivery of the report, Hepburn secured the passage of the 'Abitibi Moratorium Act' which banned the bondholders from taking new action without prior government consent.(OS, 5 George VI, c. 1) The manoeuvre was supported by the Conservatives who accused the bondholders of trying to strip the shareholders and avoid restrictions on mortgage foreclosures. The BPC, in turn, attacked the Commission's findings as inimical and, characterizing the Moratorium Act as *ultra vires*, re-applied.

Justice Middleton granted this new motion and ruled the Moratorium Act infringed federal authority.(OWN, [1941], 525) The federal judiciary refused to intervene because disposition of the trust deed had been delegated to provincial courts. In March of 1942 the Ontario Court of Appeals, in a split ruling, dismissed an appeal from Middleton's order.(OR, [1942], 183) Again attempting to delay a sale, Hepburn secured passage of an extension of the Moratorium Act and an 'Abitibi Constitutional Question Act' empowering an appeal to the court of last resort — the Judicial Committee of the Privy Council.(OS, 6 George VI, c. 2) The bondholders challenged the bill as an unconstitutional appeal to a tribunal out of touch with Canadian business affairs. The Appellate Court believed the Moratorium Act just postponed the inevitable but granted a motion to allow an appeal on the issues involved — the right of a provincial legislature to pass an act preventing a sale despite the terms of a mortgage and a judgment for its enforcement. Justice Masten, reluctantly concurring, was exasperated by the "unfortunate, extravagant and futile course of litigation." The matter "has become not only most confused and difficult but also a situation has arisen where widespread public interests are involved."(OWN, [1942], 248; GM, 25 May 1942)

The decision of the Judicial Committee, handed down during July of 1943, to the surprise of all overturned the decisions of Middleton and the Ontario Court of Appeals. Rejecting the premise that the firm's affairs axiomatically fell under federal law, the Moratorium Act was held *intra vires*. The bondholders had compelled receivership exercising "their provincial rights against the provincial property" and had never made claims under the federal winding-up act as secured creditors. The action had to continue under provincial rules and if those "were subsequently altered before the action came to an end, it must proceed thereafter subject to the rule as amended." Further grounds might be imposed

by the province and "there is no reason why its sovereign power could not be used for a moratorium with respect to a specific debtor." Investors might be compelled to accept the McTague Commission plan due to the Moratorium Act but no evidence had been provided of coercive intent, and the statute did deal with the regulation of property and civil rights falling under provincial jurisdiction.(AC 536, in RG4-02, 14.2) With this ruling the legal battles ended and efforts by private interests to force a solution terminated.

Crepuscule

Under wartime conditions Abitibi's operations slowly recovered and by 1940 the firm was capable of meeting interest charges and depreciation.(see Table 2) Given an accumulation of working capital, during June of 1941 the bondholders secured a court-ordered payment of \$6.4 million on the bond principal, the first distribution in nine years. Additional court-ordered distributions across the next three years cut back much of the principal and interest. Clarkson also used the improved status to liquidate loans or certificates from the early receivership and to carry out most of the capital expenditures intended under the Ripley plan. With its popularity ebbing, the Liberal administration during 1943 sought to stimulate employment in northern Ontario in order to stabilize its political position. Secret negotiations with the Kalamazoo Vegetable Parchment Company of Michigan resulted in a sale of the Espanola division. A packaging firm seeking a new source of pulp, KVP purchased the mill which had not operated since 1929, a ghost town, and timber concessions for \$975,000 cash. Abitibi incurred a nominal \$8.4 million book loss but liquidated its most non-economic facility.(RG3, 416; RG3, 428, 2-G)

Following the 1943 election of a minority Conservative government, Premier George Drew appointed a committee comprising Frank J. Hughes, Gilbert Jackson and William Zimmerman to mediate a settlement. He threatened that a new commission would be struck and its findings legislated if they failed. These negotiations broke down as the bondholders insisted upon the payment of principal, accrued interest, interest-on-pastdue interest, and a premium of 11% on the principal payments made since 1941, raising the outstanding claim from \$56.7 million to \$66.5 million. Despite the formulation of a scheme considered fair by the government, Drew conceded that there was little prospect for a resolution — especially if the claim for interest-on-interest was insisted upon and allowed.(RG3, 428, 2-G; *GM*, 29 January 1944) Negotiations did not resume until the spring of 1944 when the Premier called officers of four life insurance firms belonging to the BPC into his office and forcefully indicated the channel they should follow.(RG3, 428, 2-G) Then the Supreme Court of Ontario upheld the claim to interest-on-interest and the option of payment in U.S. funds, compelling all groups to adjust their expectations.(*OWN*, [1944], 627)

The report of the Hughes Committee, delivered in November 1944, recommended the bondholders be given the full value of their claim in new bonds but without an equity stake. In exchange, the BPC dropped the demand for a premium on principal payments and settled for 60% of the interest-on-interest. Four new preferred shares for each share were offered to the 7% holders, four preferred shares and two common shares for each share to the 6% preferred. Common shareholders were offered two new shares per share, and creditors, the full value of their claims in cash.(RG3, 428, 2-G; *RR*, 1945, 9) Despite an apparent deal the 7% preferred balked when two security dealers, the largest holders, realized they could force last-minute concessions. The security had been dismissed as a "nuisance stock," one complained, and had been offered an "insufficient and unjust" amount for the 1914 investment which had financed the firm, ignoring the changes of ownership across thirty years.(RG3, 428, 2-G, Lloyd to Drew, 27 November 1944) This blackmail resulted in a supplementary report which sweetened the package by offering the 7% holders five new preferred shares and a cumulative feature taking effect two years earlier.(RG3, 428, 2-G)

Those who expected a speedy resolution were to be disappointed. The BPC would not hold a meeting until the scheme was accepted by all other classes. It also tried to ensure that Abitibi retained sole control over the exploitation of timber concessions. Provincial officials sought to exploit the situation by demanding a management clause which could be used as a model for other companies and later be embodied in legislation. The clause required the prior consent of the Ministry of Lands and Forests for long-term and annual operations, thereby giving it control over production and conservation. Not until October of 1945, after this condition was accepted, did the other classes meet and approve the plan unanimously. Negotiations for a rationalization of timber and water rights then could be carried out, and in March of 1946 the bondholders assented at last — unanimously. The Receiver and Liquidator were discharged and the first meeting of the board of directors of a restructured firm was held.

Unlike Price Brothers or Great Lakes Paper, Abitibi's ownership remained diversified after reorganization. Throughout the controversies the Hepburn and Drew administrations had been sensitive to allegations that the largest Ontario manufacturer might come under external control. In 1946, after many turnovers of security holders, the degree

of Canadian ownership was significantly higher than before receivership. The bondholders temporarily retained a majority on the board and the directors appointed a management group composed of professionals who had not worked for the firm. A redemption of issues and distribution of new securities during 1947, the largest which had occurred in Canadian business, allowed a return of control to the shareholders. After all of the conflicts and recriminations an appropriate irony was their decision to elect as a director Joseph P. Ripley — who served until 1963.

Dawn

Some practical developments in business organization are not amenable to theoretical rationalization. Chance, miscue and personality all served to lengthen the receivership. The Ripley plan was submitted just as the industry experienced an upsurge which critics misinterpreted as a permanent improvement. Had the proposal been advanced six months earlier or later, the outcome might have been different. The Hepburn administration sent out conflicting signals about the acceptable terms of reorganization, thereby angering stakeholders and emboldening the BPC to pursue litigation. The committee, in turn, by extending the suit into a constitutional question compelled government resistance. Relations were poisoned with the failure of each proposal and legal battle until the parties literally could not meet without blood nearly being shed, a condition only resolved via state-sponsored mediation.

Nevertheless, the origins and the problems of the receivership varied in scale, not in kind, from analogous experiences of Canadian corporations. The logic of consolidation and the mode of financing paralleled other amalgamations of the 1920s. Common stock was viewed as a risky security which might appreciate or which promoters might unload as conditions allowed. Extensive leverage via preferred stock or bonds characterized the capital structures of merged firms. In practice, those securities tended to be the easiest to sell since the requisite funds had to be raised from institutional clients seeking stable and guaranteed returns. Even during prosperity executives could be inclined to concentrate more upon meeting the concerns of debt and preferred holders than upon those of the demi-class of common shareholders. But the fixed charges associated with a reliance upon these senior securities were dangerous if a firm coped with the cyclical demand and price elasticity characteristic of a commodity.

Abitibi was the only producer which redeemed all securities before passing into receivership. Some enterprises like Canada Power and Paper were holding companies and investors of subsidiaries thus could be played off against one another during negotiations. Smaller firms such as Price Brothers and Great Lakes Paper escaped from receivership by passing control to a firm or consortium willing to pay off claims. The monies associated with a restructuring of Abitibi, however, were beyond the capacity of a narrowly-defined group. By 1932 not even \$5 million could be raised in markets and refinancing could not progress until 1936 as economic conditions improved.

In the United States the rise of modern business enterprise was associated with a dispersal of ownership rights, a phenomenon which has been reflected upon by observers from Berle and Means (1932) to Chandler (1977, 1990). Numerous researchers have noted the significance of family ownership and bank capital for the development of Canadian enterprise but the roles played by institutional investors have not been explored well. Although Abitibi's securities were dispersed amongst American, British and Canadian investors, significant blocks of securities were retained by life insurance companies and investment trusts. These investors could veto a proposal and became recalcitrant as the claims for past-due interest and dividends accumulated. During the newsprint receiverships of the 1930s they frequently treated shareholder rights with disdain. The Abitibi insolvency was one of the few instances during the first half of the twentieth-century where institutional investors pushed for their favoured outcome to a full extent while under critical scrutiny from the media and political authorities. As the case tested the ambiguities of bankruptcy legislation the receivership was extended beyond anyone's expectations.

Given the actual earnings record, the Ripley proposal represented the only major scheme under which Abitibi would not have returned to receivership after 1937. Reorganization under the CCAA represented a victory for the Liquidator and those who fought the bondholders but at the cost of eight years and heavy legal bills. The final package conceded to the shareholders a stake of \$43.8 million *versus* \$4 million under the 1937 plan. The need to garner the approval of three-quarters of each class might have blocked agreement, save for the mediation effort and the exhaustion of all parties after years of fruitless wrangling. Nonetheless, Abitibi remained the most leveraged newsprint firm and its subsequent success was contingent upon post-war prosperity and revaluation of the dollar.

In pulp and paper as in other sectors where large domestically-controlled enterprises emerged, many points of connection made corporate prosperity dependent upon active cooperation from the public sector. Given the employment and investments at stake, Canadian governments had to abet other reorganizations.(see McDowall,

1984; Regehr, 1990) A settlement was contingent upon a reallocation of timber rights and by withholding its assent the Ontario government sought to ensure the terms would fit with policy goals. However, the Hepburn administration was not willing to force a specific compromise and as the scope of the case expanded it also became ensnared in the legal bog. The Abitibi case thus illustrated a growing integration between the concerns of state and enterprise but displayed the limited influence which governments actually could exert in complex situations.

Finally, the receivership had several implications. The legal battles and the McTague Commission report eviscerated the legitimacy of techniques such as a sale to bypass negotiations and served to strengthen the legitimacy which should be accorded to shareholder *versus* legal rights. Indeed, the controversies did much to discredit the notion that any group of stakeholders should be able to impose sacrifices upon others unilaterally. The need to establish uniform procedures contributed to the passage of a new Bankruptcy Act in 1949 which incorporated many provisions of American law.(SC, 13 George VI, c. 7) During the post-war era development was pursued cautiously by newsprint firms whose executives had learned from the experiences of the depression. But by the 1980s economic conditions propelled some to pursue grand strategies which triggered difficulties paralleling this earlier era.

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Sigma-Aldrich - The History of a Company and Its Board

The Sigma-Aldrich company is one of the most successful specialty chemical companies in North America. Its history provides a modern interpretation of the evolution of "separation of ownership and control" (Berle & Means 1932), and the "rise of the professional manager" (Chandler 1977). This case study provides new insights into the relationship between the CEO, the Chairman, and the Board of Directors and shows that "knowledge" not "ownership" is the major criterion for membership on the modern Board.

I Berle and Means

"The Modern Corporation and Private Property"

In the late 1920's a young lawyer, A. A. Berle Jr. was offered a contract, by the newly formed Social Science Research Council, to do a study of the ownership and control of the modern corporation. Berle had been an instructor in corporation finance at the recently established Harvard Business School and had published articles in both the Harvard Law Review and The Columbia Law Review on the subject of corporate law and finance. To assist him in some of the statistical work he persuaded a former army bunk mate Gardiner C. Means, who was pursuing doctoral studies in economics at Harvard, to join him. The study was finished in 1931 and published in 1932. According to Berle the study helped lay the principles on which the American securities-and-exchange legislation was based (Berle, helped in drafting some of the legislation).

In the preface to the revised edition (1967) entitled "Property, Production, and Revolution", Berle roughly summed up his concept of the separation of ownership and control as follows:

"...In crude summation, most "owners" own stock, insurance savings and pension claims and the like, and do not manage; most managers (corporate administrators) do not own. The collective holds legal title to the tangible productive wealth of the country—for the benefit of others."

The names of Berle and Means are synonymous with this concept; their work is considered a classic and continues to receive extensive citations in scholarly journals and texts.

II Stigler and Friedland

It is somewhat surprising therefore, to find, some fifty years after the publication of "The Modern Corporation" a sharp criticism of the validity of its findings. The severest criticism came from two economists from the University of Chicago, George J. Stigler and Claire Friedland. They were concerned over the quality of the "scientific" research on which the Berle and Means study was based. However, Stigler and Friedland were pleased to find that the modern corporation tried to maximize profits, regardless of the type of ownership.

In November 1982 a conference was held at the Hoover Institution to mark the fiftieth anniversary of the publication of "The Modern Corporation and Private Property". George J. Stigler and Claire Friedland presented a paper entitled "The Literature of Economics: The Case of Berle and Means". They expressed astonishment at the general lack of critical evaluation which had taken place. As an explanation for this lapse in scientific rigor they suggested,

"that doctrines and theories congenial to an intellectual milieu are accepted quickly and widely, although not necessarily as uncritically as the work of Berle and Means was accepted." (p. 237)

Stigler and Friedland, using only data which would have been available to Berle and Means, examined three major issues raised by Berle and Means;

- (1) Who controlled the large corporations?
- (2) Were executives of management-controlled corporations compensated differently from

(3) Were corporate profits different in the two types of corporations?

Stigler and Friedland noted the difficulty of defining "control" and questioned the validity of the classification of control used by Berle and Means which was tied to the dispersion of share ownership. They (Stigler and Friedland) suggested a test for determining whether "management", or a given set of "stockholders", might be in control of a Board by noting the relative changes in the composition of the Board when management changed. However they did not carry out such tests on their own. In effect, they ducked the question.

In their statistical studies Stigler and Friedland found no evidence that there was any relationship between executive pay and type of control; nor between profits and investment and type of control. Hence, it was not apparent that management, in management controlled companies, was taking advantage of the situation to reward itself excessively at the expense of the shareholders. This possibility had been adumbrated by Berle and Means as one of the possible outcomes of the separation of ownership and management.

Stigler and Friedland assigned only a very modest impact of Berle and Means' book on professional economic analysis noting that;

"The Chamberlins, Robinsons, Hickses, Keyneses, Kaldors, and confreres continued to apply traditional profit-maximizing theory as if Berle and Means had never written." (p.259)

and concluded that,

"The main tradition of economic theory was perhaps instinctively recognizing these facts when it continued to work in complete disregard of The Modern Corporation." (p.259)

III A. D. Chandler Jr.

Chandler (1977) chronicled the rise of the modern corporation in America and the professional manager. His work complimented B & M's by showing the importance of the career manager to the inherent success of the corporation. Although the Board of Directors did not receive any attention in Chandler's first major work "Strategy and Structure" this was not the case in the "Visible Hand". There he observed that even in companies with Boards dominated by members of founding families, or by members of financial institutions which had provided much of the original capital, the responsibility for the current operations and future plans were turned over to the career managers. For these directors the company was merely a source of income and not a business to be managed. Thus, "In many industries and sectors ... managerial capitalism soon replaced family or financial capitalism." (p. 10).

We propose that concomitant with this evolution of the corporation was the rise to dominance of the director appointed because of his or her "knowledge" rather than the number of shares they owned.

Chandler's Proposition #6 (p.9), captures the separation of ownership and control.

"As the multiunit business enterprise grew in size and diversity and as its managers became more professional, the management of the enterprise became separated from its ownership."

We offer the following proposition:

As the multiunit business enterprise grew in size and diversity and as its managers became more professional, the Board too became more professional.

In effect, "knowledge" became more important than "ownership". To Berle & Means "ownership" was the legitimating force, today it is "knowledge".

In support of this proposition we will trace the history of the Aldrich Chemical Company and its owner-manager. Historical cases are one of the most effective ways (perhaps the only way) of identifying and understanding the intimate forces which shape the strategy and structure of a company. Large studies such as those done by Berle and Means and Chandler reveal the broad corporate patterns. Individual cases provide the special insights needed to understand the managerial challenges.

1951 - 1965

The Making of an Entrepreneur. Alfred Bader, a teen-aged Jew, fled his native Austria in 1940, attended university in Canada and graduated with degrees in chemistry (B. Sc. and M. Sc.), not to mention a degree in history. He continued graduate studies in organic chemistry at Harvard and upon completing his doctoral studies in 1949 went to work with Pittsburgh Plate and Glass (PPG) in its paint research laboratory in Milwaukee. Bader had had previous experience as a chemist with the Murphy Paint company in Montreal, and had intended to return to work with them, but the company was bought by PPG.

While working in the Harvard lab, Bader became frustrated waiting for delivery of a basic chemical needed to carry out his experiments. It was a frustration experienced by most research chemists. The specialty chemical was offered by only one large chemical company, Eastman Kodak, and it had more important products on its priority list. In response to a follow-up memo from Bader, Eastman Kodak sent him a postcard telling him they would send the chemical as soon as it became available but, in the meantime, would he stop adding to their paper work.

The Entrepreneur Emerges. Shortly after joining PPG's laboratory, Bader recommended that a small division within PPG be set up to make and sell specialty chemicals. The proposal was turned down; why even try to compete with Eastman Kodak? A foolish strategy for PPG. However, there no objection if he started his own enterprise on his own time, provided it did not interfere with his work with PPG. Bader the chemist, became Bader the entrepreneur, the one who saw a commonly experienced frustration, as a business opportunity.

This entrepreneur had two things going for him; 1) the knowledge of chemistry and chemical processes and 2) the desire to capitalize on the opportunity. He lacked the legal knowledge necessary to launch the business enterprise but this (the third dimension) was supplied by a local Milwaukee lawyer, Jack Eisendrath. Each put up \$250 to provide the minimum capital requirements, and the company was incorporated on August 17, 1951. Bader and Eisendrath decided to name the company, depending on the flip of a coin, after one of their fiancée's. Eisendrath won the toss and his fiancée's maiden name, Aldrich, went into the articles of incorporation.

From Part Time to Full Time. When PPG decided, in 1954, to move its Milwaukee laboratory to Springdale, near Pittsburgh, Bader decided to stay in Milwaukee. He liked the city and he believed it was worth the risk to devote full time to the fledgling enterprise. In its fourth year Bader more than doubled sales to \$34,000.

Bader was now devoting all of his time to the company, putting in long hours every day, while the other partner, Eisendrath was, if anything, spending more time in his law practice. Bader bought out the lawyer for \$15,000.

The Evolution of a Winning Strategy

The Target Market. The target market was clearly defined from the very start; chemists in research labs who needed specialty chemicals to carry out their research. The products would usually play a small, but very vital part, in the activities of the laboratory. Although the chemical might be expensive on a unit basis the number of units required was so small, the actual cost was insignificant relative to the overall cost of the experiment. However, the product had to be of reliable quality, not necessarily perfect, but good, and it had to be available when needed. Given the relatively small unit sales it was obvious that Aldrich would have to expand its product line and its customer base, if it was going to be a success. Bader's primary challenge was to increase the number of products and the customer base. How do you do that in Milwaukee, Wisconsin?

To purchase the necessary products Bader had to travel outside Milwaukee. The potential suppliers of the products were any laboratory in the world and some of the best laboratories were located in Germany, England and Switzerland. Bader was obviously fluent in German and English and also spoke passable French. He began canvassing laboratories throughout the United States and Europe. As a research chemist he could talk their language, recognize who were the top producers, what were their needs, what were their problems. As a business man he always wanted to know how he could help them.

By 1965 the company cataloged over 9,000 different chemicals, with its best selling chemical accounting

sales. The Company's customers included many substantial industries throughout the world, the federal government, universities and laboratories doing medical research. The federal government's laboratories accounted for less than 10% of the company's sales and no private concern accounted for as much as 5% of sales. Regionally 80% of the sales were in the United States, 10% west of the Rockies, and 45% each in the Midwest and the East. Foreign sales were distributed across 20 countries usually through foreign agents.

Production. By 1965 the company manufactured approximately 15% of its sales, (up from only 5% in 1960) purchased approximately 10% from a German affiliate (EGA), and bought the rest from many different sources none of which supplied more than 10%. The company's strategy was to manufacture only those products which it could not purchase advantageously from other sources.

Clearly the purchasing function was more important than the production function and furthermore approximately 50% of the chemicals offered for sale by the Company were acquired outside the United States. Bader personally visited laboratories throughout the world in order to locate reliable sources of the specialty chemicals which were the backbone of his product line.

To ensure product quality the Company maintained its own analytical laboratories to check the chemical analysis and purity of all products sold by it.

The Company's Organization. He selected the chemists who staffed the company's laboratories and kept close contact with all of the employees in the office and those who handled the shipping and receiving.

To ensure product quality, to develop new products (an aspect which could not be entirely ignored), and continue the dialogue with his research customers, he created an organization in which scientists played a key role. By 1965 there were 125 people in the organization of whom 34 were graduate chemists with no less than 9 holding Ph. D. degrees in chemistry. To process the orders effectively there were 34 office employees and 49 in shipping, receiving and sales, while 8 were involved in maintenance, plant engineering and other miscellaneous functions. All but 9 employees were located in Milwaukee.

The Essence of the Strategy. The Aldrich strategy was neither to discover nor produce new specialty chemicals, although it did both. Its strategy was simply to purchase and distribute specialty and rare chemicals to people who needed them.

The Success of Aldrich. By 1965, a decade from the time Bader decided to devote full time to his specialty chemical company, revenues had increased from \$34,000 to over \$2,000,000 (a compound growth rate of over 50%). Indeed Bader's salary, which, in 1955 had been \$6,000 (provided he did not cash any of his cheques during the first six months), was over \$34,000 in 1965. Net earnings were increasing rapidly as well, reaching almost \$200,000 in 1965. By 1970 sales had tripled to almost \$6,000,000 and profits (before taxes) increased almost fourfold to \$843,495. And it continued; by 1974 (the last year before the merger) sales doubled again to over \$11,000,000 and profits more than doubled to almost \$3,000,000.

The Board of Directors; Aldrich Chemicals 1965 - 1974

Between 1961 and 1974 eleven directors had served on the Board at one time or another. Alfred Bader and his closest friend, confidant, business and legal adviser Marvin Klitsner served throughout. Until 1968 Klitsner was the only person who could be described as an "outside" director, in the narrow definition of the term. Along with counselling on legal matters he also provided Bader with sound, general business and management advice. Bader credits him, more than any other person, with the success of the company. The other insiders through 1967 were; Helen Bader, Alfred's wife who was also the company's Treasurer, John Biel, VP and Director of Research and William Buth, VP and Director of Operations.

Biel was an internationally recognized medicinal chemist, well connected in the American Chemical Society; he set up a number of research contracts and attracted some highly qualified chemists to the company. He was considered by Bader to be the most technically able person in the company. The relationship between the two was not always easy and in 1968 Biel left the company for Abbott Laboratories. Bader, who was admittedly tight fisted, especially during the early years of the company, kept a close eye on expenditures, and it did not sit well with Biel, for example, when Bader questioned a

salary increase Biel gave his secretary. Tragically, Biel was set to return to Aldrich in 1975 when he suffered a heart attack and died.

Buth, also a chemist, made his contribution in organizing the company's order processing system, setting up, for example, the company's advanced computer systems for inventory control and shipping. However, before the merger, he too left the company, partly because of the close scrutiny Bader kept on operations; often asking two different people to check out whether tasks had been carried out. For Bader it was simply a matter of attending to details, while for Buth it must have seemed more like a lack of trust.

By 1969 the size of the Board had increased to seven. But, because of the resignation of John Biel and Helen Bader, there were four additions to the Board. C.A. Bickel, president of Robert W. Baird & Co. Incorporated, the investment firm that had taken over the sale of Aldrich shares to the public and done so with considerable success, was appointed in 1968. R. N. Emanuel, president of Aldrich's distributor in England which had been acquired by Aldrich through an exchange of shares, joined in 1969. B. E. Edelstein, VP and Secretary, took up Biel's slot on the Board. A patent lawyer, who also had a degree in chemistry, he had been hired in 1962. His office was located next to Bader's and it turned out he was quite good at soothing ruffled feathers when Bader's impatience to get things done, got the better of him. Finally there was M. C. Lauenstein, president of Ventron Corporation, a manufacturer of inorganic chemicals, and with whom Aldrich had had a joint venture in a company called Alfa Inorganics Inc.

In 1971/72, the last appointments before the merger, Dr. H. C. Brown and J. McGaffey were added to the Board in place of Bickel and Lauenstein. (One of the reasons Lauenstein left the Aldrich Board was the low pay Bader gave to outside directors.) Dr. Brown, a member of the faculty at Purdue and a renowned chemist had developed a process which permitted the production of hundreds of compounds by hydroboration. Aldrich bought exclusive right to Brown's patents and set up a wholly owned subsidiary (Aldrich-Boranes Inc.) to produce the products. Brown was invited to be a member of the Aldrich Board. J. McGaffey was a lawyer with M. Klitsner's law firm, and was also appointed Assistant Secretary of Aldrich, to provide the necessary legal advice the company increasingly needed. Bader considered him "in loco Marvin".

In making his appointments to the Board, Bader was drawn to persons with proven scientific knowledge. As the company evolved and went public, he started to bring in more "outsiders", but with only a few exceptions they were proven scientists.

V Sigma and the Merger

By the early seventies Bader began to see the advantages of a still bigger operation, especially from the financial market's perspective. The growth of the company had been dramatic but it was still a comparatively small company and therefore did not have wide appeal on the financial market. Taking the company public in 1965 had not generated the interest among the investing community that he had hoped for. He realized that to continue to grow would require a larger and more diversified operation and one way of achieving this quantum leap could be through a merger. A company which had caught his eye was Sigma-International, almost a clone of Aldrich except that its market was biochemistry (as opposed to organic chemistry) and it dominated the biochemical laboratory sector.

The two merged in 1975 forming Sigma-Aldrich with the Sigma shareholders receiving two-thirds of the shares in the new company and the Aldrich shareholders one-third. The division of ownership reflected the relative contribution of the two companies according to sales and profits. Combined net sales in 1975 were \$43 million, and profits, before taxes \$11 million. Each company received an equal number of positions (four) on the Board of Directors.

A Successful Merger. Sales and profits of the new company simply continued the dramatic upward trajectory which had been the hallmark of the individual firms. By 1985 sales had reached \$215 million, and profits \$53 million, a compound annual growth rate of over 17%.

The Combined Strategy. The basic strategy remained unchanged. Supply specialized chemicals, of high quality, to research and diagnostic laboratories and get the product out to the customer within 24 hours of receipt of the order. If anything, Aldrich's quality and promptness standards improved, although the quality requirements of its customers, generally, were not as high as Sigma's. Since there was very little overlap of the companies' customers (Sigma's largely in the life sciences, i.e., hospitals, medical

departments of universities and the research and development laboratories of chemical and pharmaceutical companies), each continued to run relatively autonomously.

The Structure of Sigma-Aldrich

The Founders. Dan Broida, founder and President of Sigma International became the chairman and Alfred Bader the President, of the combined enterprise Sigma-Aldrich. No one was designated the CEO. This relationship continued until Broida retired in 1980 whereupon Bader became Chairman and CEO and Tom Cori, who had been president of the Sigma division became president and chief operating officer.

Both Broida and Bader had the entrepreneurial drive, the desire to succeed, were cost conscious and impatient to get results. Each had stumbled across the winning strategy at a time when their industry was taking off. Neither was particularly wise in the ways of a large corporation. Broida relied on A. Fischer, Sigma's Chairman and Chief Financial Officer. Bader relied on Klitsner for advice on these matters.

The Board of Directors; Sigma-Aldrich 1975 - 85. Immediately following the merger of Sigma and Aldrich the Board consisted of eight directors, 4 each from Sigma and Aldrich. The Aldrich directors, chosen by Bader were; A. Bader, who became President of Sigma-Aldrich, H.C. Brown, R. Emanuel and M. Klitsner. Brown's appointment to the Board was not renewed in 1978 and, somewhat ironically, the following year he received the Nobel prize in chemistry.

The Sigma directors were D. Broida, A. Fischer, J. W. Sandweiss and S. J. Weinberg. Broida, Bader's counterpart at Sigma, became Chairman of Sigma-Aldrich. A. Fischer, (who might also be considered a founder owner of Sigma) had hired Broida, fresh out of college in 1936, into the small consulting firm he and his brother had started in 1934. Sigma was started in the early 1950's under the umbrella of the consulting firm, but was created almost entirely through the initiative of Dan Broida. Fischer, who had taken on the presidency of Universal Match Company, resigned Universal to join Sigma on a full time basis in 1959, and played an active role as a senior officer of the company, bringing to bear his financial, organizational and planning skills. J.W. Sandweiss was a partner in a St. Louis law firm (Sidel, Sandweiss and Kaskowitz) which provided legal services to Sigma. S.J. Weinberg, was a partner in Goldman Sachs & Co. Investment Bankers, the company which had taken Sigma public in 1972.

The Sigma-Aldrich Board was increased by two in 1977 when D.N. Brandin, Chairman of the Board of Boatmen's Bancshares, Inc., a Bank Holding Company, and T. Cori joined. Cori, who had been a Vice-president of Sigma-Aldrich since the merger, was promoted to President of Sigma in July of 1976 (succeeding D. Broida in that capacity). Cori's rise through the ranks was quite exceptional, having just joined Sigma in 1970 as a production chemist, fresh out of Washington University (Missouri) with a Ph. D. in biochemistry. When Dan Broida retired in 1981 Cori became President and Chief Operating Officer of Sigma-Aldrich and Bader Chairman and Chief Executive Officer. In 1983 Cori became the CEO while Bader retained his position as Chairman of the Board. Aaron Fischer, who turned 70 in 1977, became an emeritus director but continued to play an active role in the company.

A Board With a Difference

In 1985, Cori prepared a re-organization plan which envisaged a larger Board and increased representation by "outside" directors. By 1991¹, when Cori became Chairman, as well as President and CEO the Board had increased to 12 (including two emeritus directors) and of the 12, six had been appointed since Cori became CEO in 1983. Only Bader and Klitsner remained from the original Aldrich Board, although David Harvey, who had come up through the Emanuel side of Aldrich had been a member of the Board since 1981 and succeeded Cori as the Chief Operating Officer of Sigma-Aldrich in 1983.

If there was any doubt who carried the greatest influence with the Board, the CEO or the Chairman, the answer became evident in the spring of 1991. Bader was forced to resign as Chairman. He was given an ultimatum by the Board's compensation committee. If he did not resign his name would simply not appear on the slate of directors to be put forward at the annual meeting in May. All ties with the company would be severed.

Bader resigned "voluntarily", and in recognition of his long and valuable service to the company, was given the title of chairman emeritus.

VI Conclusions

The company has an enviable financial history of uninterrupted growth in sales and profits. It has evolved from a simple entrepreneurial, owner-managed enterprise to a publicly owned, widely held, professionally managed, complex leviathan. It is a modern, classic example of Berle & Means "separation of ownership and control" and Chandler's rise of the "modern manager". The details of the case identify the necessary qualifications for membership on the modern board and suggest certain management lessons about the role of the Board, especially its outside directors, and its Chairman.

(1) The Board of the Owner-Managed, Entrepreneurial Company

The Aldrich Board was dominated by professional, scientific people. By the seventies the Aldrich Board was very much less an "inside" Board but even the "outsiders" had very strong business links with the company. They were knowledgeable about the company and/or the industry. They were not owners. Bader, as the dominant shareholder and chief executive officer of the company, had complete control over the composition of the Board, had no reason to feel threatened by any of the directors and obviously felt most comfortable with people with whom he had done business and who had a personal interest in the company. Directorships were issued as a form of reward, of recognition for their important contribution to the company. In part the Board existed to meet legal requirements. All the operating and strategic issues could have been dealt with (and usually were) outside the Board meetings.

(2) The Transition Board (1975-85)

The transition Board was made up of an equal number of representatives from Aldrich and Sigma (despite Sigma's larger size) and reflected the composition of the respective Boards at the time of the merger. The major owners Fischer, Bader, Broida, Klitsner (as trustee) were on the board. But they were there primarily because of their experience and expert knowledge and not because of their ownership. Some of the owners (the Fischlowitz family, for example) were not directly represented.

It is interesting that neither Broida nor Bader was designated the CEO of the combined enterprise. Broida had the superior title "Chairman" but each continued to devote their primary attention to their respective enterprises and not to interfere with the other's. If there were disagreements over matters which affected both segments, the decision of the Board prevailed.

(3) The Cori Board 1985

Technically the Board appoints directors but note that Cori was a member of the nomination committee of the Board and in reality no one was appointed without Dr. Cori's approval. His 1985 plan to expand the Board from 7 to 9 (10 including Fischer) ensured that a majority was outsiders. To this end persons with experience in marketing, production, finance, and international operations were to be sought. By 1990 five new persons had been appointed and of the nine directors only Bader and Klitsner remained of the original Aldrich appointees. As indicated in Exhibit A, ownership was an incidental part of their qualifications for Board membership; experience as CEO's was more important.

(4) Control over and Composition of the Board of Directors.

Berle and Means measured power in terms of the ability to appoint the board of directors. Their's was a legal definition and focused on the proportion of shares needed to control the Board. However, in this case we saw that real power was in the hands of the CEO. This is why Stigler's and Friedland's suggestion, that one examine the relative turnover of board members and executives to see whether the board or management is in control, has merit.

No shareholder, not even Bader, the largest individual shareholder, could dictate membership on the Board. Not even the Chairman of the Board, Bader, could dictate membership. It was the CEO who determined the composition of the Board and he earned that right by the results achieved by the company under his stewardship. It is also important to note that no sons or daughters or relatives of the original owners of Sigma or Aldrich became officers of the company or members of the Board. This provides some evidence that it was not nepotism, or who you knew, that was important.

(5) The Knowledgeable Board

All Sigma-Aldrich directors (appointed post 1985) were outsiders, with little knowledge of the industry or company. Their position in the business world provides evidence that it was their functional knowledge and qualifications as managers, as CEO's that was the determining factor in their selection.

We have chronicled the rise of the professional manager in the Board Room and the emergence of the "knowledgeable board". It is not intended to argue that the "knowledgeable" board does not have its weaknesses. It does. These weaknesses are a function of the structure of the board and the process by which directors are appointed and rewarded.

How independent, how objective can a director be when his/her appointment is so dependent on the CEO? When CEO's appoint CEO's there may be more justification now than 50 years ago in raising Berle's question in whose interest is the corporation being run? the company's or the CEO's? To answer this question will require further research.

Appendix A

Sigma-Aldrich Directors 1991

<u>Name</u>	<u>Description</u>
Bader A. R.	(67) Chairman, Emeritus (1991) Founder, President Aldrich Chemicals (1951-1974). President, Sigma-Aldrich (1975-1979) Chairman & CEO (1980-1983). Chairman (1984-1990). Chairman emeritus 1991 B. Sc., B. A., M.Sc.(Queen's) M. A., Ph.D (Harvard). Also six honorary degrees from Universities in U.S.A., Canada, Britain. Compensation, 1990, as Chairman, \$180,000, (1991, As Chairman Emeritus, he received \$90,682, as part of a "consulting fee". His 1992 agreement was to be without any salary.) Did not participate in Stock Bonus Plan. Shares owned: 3,660,430, (7.4% of outstanding shares).
Brandin D. N.	(70) Retired (1989) Chairman of the Board and Chief Executive Officer of Boatman's Bancshares, Inc., bank holding company. St. Louis, Missouri; Director from 1977 to February, 1985 and from November, 1985 to present, also a director of EAC Corporation and Laclede Gas Company. Shares owned 8,000. Compensation as director (see below).
Cori C. T.	(55) Chairman, President and CEO of company (1991). Joined Sigma, 1970 as production chemist. Vice-President Sigma (1975). President of Sigma (1976-1980). President and COO Sigma-Aldrich (1980-1983). President and CEO (1983-1990). Director since 1977. B.Sc. U of Wisconsin (1959), Ph. D., Washington, University (Missouri)(1969). Cash Compensation, 1990 as President & CEO, \$998,168. (\$470,000, salary component, \$528,168, through stock bonus plan). Shares owned 123,900.
Fischer A.	(84) Director Emeritus. Chemical engineer, founder (along with his brother) of Midwest Consultants 1934. Midwest became the parent company for Sigma Chemical Company which was formed, following WWII, to produce saccharin. Midwest's shoe dyes and other businesses supported the research operations of Sigma during its early stages, but by the late 1950s Sigma was on its own. Fischer had devoted most of his time to the Universal Match Company but he resigned the presidency of that company in 1959 to take a more active role in Sigma. At the time of the merger he was Chairman and Chief Financial Officer. The Fischer family held a large number of shares in Sigma and then in Sigma-Aldrich (15.8%) but they reduced their holdings significantly in 1985 when the family sold a large portion of their shares in a special public offering. One of the first directors of Sigma-Aldrich he became an honorary director in 1977 and has retained that title since.

- Harvey D. R. (53) Executive Vice President and Chief Operating Officer (COO) since 1983. President of Aldrich May 1981 - January 1987. Director since 1981.
B. Sc., M.Sc., D. Phil. Oxford.
Cash Compensation, 1990 as Executive V. P. & COO, \$670,725. (\$330,000, salary component, \$340,725, through stock bonus plan). Shares owned 75,620.
- Kipnis D. M. (64) Chairman, Department of Medicine Washington University School of Medicine, St. Louis, Missouri; Director since 1984. Shares owned, 4,300.
- Klitsner M. E. (73) Of Counsel, Foley & Lardner, Attorneys at Law, Milwaukee, Wisconsin; Director since 1975. Former director of Aldrich, close personal friend, confidant, and advisor to A. Bader for over 35 years. Shares beneficially owned 3,096,156. (Includes a) 1,482,928 shares held as co-trustee for parties not related to Mr. Klitsner, over which Mr. Klitsner has shared voting and investment power. b) 1,540,928 shares held as co-personal representative of an estate over which Mr. Klitsner has shared voting and investment power. (net balance 72,300).
- Newman A. E. (47) Chairman of the Board, Edison Brothers Stores, Inc., specialty fashion retailer, St. Louis, Missouri, since April 1987. Prior to that time he was Executive Vice President of Edison Brothers Stores, Inc.. Director of Sigma-Aldrich since 1989; also director of Edison Brothers Stores, Inc. and Boatmen's Bancshares, Inc.. Shares owned 2,000.
- O'Neil W. C. Jr. (57) Chairman of the Board, President and Chief Executive officer, ClinTrials, Inc., a clinical trials management company, Nashville, Tennessee, since November 1989; prior to that time he was Chairman of the Board and President and Chief Executive Officer of International Clinical Laboratories, Inc., from Sept. 1977 until June, 1988. Director of Sigma-Aldrich since 1987; also director of Atrix Laboratories, Inc.. Shares owned 2,000.
- Sandweiss J.W. (67) Of Counsel, Blumenfeld, Kaplan, Sandweiss, Marx, Ponfil & Kaskowitz, P.C., Attorneys at Law, St. Louis, Missouri; Director since 1975; Shares beneficially owned 368,416. Includes 361,416 shares held as co-trustee for a party not related to Mr. Sandweiss, over which Mr. Sandweiss has shared voting and investment power. (net balance 7,000).
- Urban T. N. Jr. (57) Chairman of the Board and President, Pioneer Hi-Bred International, Inc, developer and producer of hybrid corn and other seeds, Des Moines, Iowa. Elected to the Board by the Directors of Sigma-Aldrich on November 13, 1990; also a director of Pioneer Hi-Bred International, Inc. and Equitable Companies of Iowa; Shares owned - none.
- Weinberg S. J. Jr. (68) Limited Partner, The Goldman Sachs Group, L.P., New York, New York; Director since 1975; also director of Eagle-Picher Industries, Inc., R. H. Macy & Co., Inc. and Tejon Ranch Company. Shares beneficially owned 27,600; Includes 9,600 shares held by Mr. Weinberg as co-trustee of a charitable foundation, over which Mr. Weinberg has shared voting and investment power, but does not include shares which may be held by Goldman, Sachs & Co., in the course of maintaining an over-the-counter market in the Company's common Stock.

Appendix B

Structure of the Board of Directors - 1990

Composition

The Board consisted of 12 members although one of these, A. Fischer, was an honorary director (and had been since 1977). As an honorary director his name did not appear on the proxy statement's list of nominees for election to the Board. He received all board material and was eligible to attend all Board meetings. Of the eleven elected directors, three (Bader, Cori and Harvey) were insiders, and eight (Brandin, Kipnis, Klitsner, Newman, O'Neil, Sandweiss, Urban and Weinberg) were "outsiders". All but Harvey, Klitsner and Bader had been appointed either since Cori became CEO in 1983, or had come into Sigma-Aldrich through the Sigma side of the merger. (For more background on the directors see Appendix A)

The Board had three committees which functioned throughout the year; the Audit Committee, the Compensation Committee and the Nominating Committee.

The Audit Committee (Klitsner, Sandweiss, Weinberg), recommends a public accounting firm to be retained for the coming year, reviews the work to be done by such firm, and reviews and analyzes the financial results of the company. It met 3 times during 1990.

The Compensation Committee (Brandin, Newman, O'Neil, Kipnis) reviews all areas of executive compensation and advancement within the company. The committee held 3 meetings in 1990.

The company's compensation plan is made up of two parts; a salary component and an incentive stock bonus plan.

The salary component.

At the end of each fiscal year, the Committee reviews with Dr. Cori and approves, with any modifications it deems appropriate, an annual salary plan for the Company's executive officers (including Dr. Cori).

The Incentive component.

The Incentive Stock Bonus Plan was developed in 1978 and its size is determined by the percentage increase in the company's pre-tax operating income. If the increase in that income is less than 10% there is no Bonus Pool; the bonus pool can be as high as 5% if the increase is 15% or greater. In determining the distribution of the Bonus Pool the Committee reviews with Dr. Cori its recommendations for the Executives (other than Dr. Cori) and other Senior Executives. It considers separately its award to Dr. Cori. (See Appendix A for the 1990 awards to the officers who were members of the Board.)

Golden Parachutes:

In the event a change of control should occur in the company, and the employment of the four executive officers terminated these officers were guaranteed, under the bonus plan, 69,078 shares and approximately \$1,100,000, plus a salary component totalling \$2,562,500.

Compensation for Directors:

Directors who were not employed or retained as legal counsel by the Company are compensated by an annual fee of \$10,000, and receive \$1,500 for each Directors or Committee meeting attended and reimbursement of their travel expenses.

The Board met six times during 1990; the Audit committee met 3 times, the Compensation Committee held 3 meetings, the Nominating Committee held 1 meeting. Most committee meetings are scheduled for the same day as regular Board meetings. An eligible Board member who attended all Board meetings (6) and all meetings of the Compensation Committee (3) would receive a \$10,000 fee, plus \$9,000 for Board meetings, plus \$4,500 for committee meetings plus travel expenses; a minimum of \$23,500.

The Nominating Committee, (Cori, Kipnis, Brandin, Newman, O'Neil) which recommends nominees to the Board of Directors, held one meeting during the year.

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Studying Canadian Business History Through Book Reviews

Through the use of book reviews of contemporary Canadian business books, students are able to learn history and to appreciate the accuracy of these accounts. There is a tendency for students to take the printed words as factual records of business activities or of businesspersons. Three approaches to book reviews are presented that will encourage the study of business history in a challenging manner.

There has been a profusion of books about business published in the past ten years. These books are accounts of individual business enterprises as successes or failures, and about businesspersons. The availability of so many accounts of business history provides an opportunity for instructors to integrate historical perspectives into business administration courses through the use of an underutilized teaching methodology, the book review.

This paper outlines the appropriateness of book reviews for teaching business history followed by an elaboration of how this can be accomplished. In order to be successful, instructors and students must distinguish between a book report and a book review. Three dimensions of a book review will be described, the regular review, analysis by genre, and book comparison.

Book Report Versus Book Review

Most readers think first of the book report, a commonly used methodology in high schools, and fail to make a distinction between the book report and the book review. The purpose of a book report is to record, or summarize what the book includes, and only briefly, if at all, reflect the reader's reaction to the book.

A book review, also referred to as a critical book review, is evaluative in that the writer identifies what the author is attempting to accomplish followed by an assessment of how well the author has succeeded. The reviewer presents evidence to support the evaluation and sufficient information is given to allow the reader of the review to form an opinion of the work (Allen and Colbrunn, 1964: 2).

Book reviews can be an effective teaching methodology especially in courses analyzing the business system, for example, introduction to business, business and society, and business policy (strategic management) courses. Some functional area courses like industrial relations and marketing might also utilize the methodology, while it may not be appropriate in introductory accounting or finance courses. The book review assignment should attempt to teach students the significance of events or behaviour without the need for time-consuming field research or statistical analysis. It should encourage students to think more like creative social scientists (Kalia, 1984: 213) and less like rational thinkers who base decisions on numbers, models or theories.

The book review is also an excellent alternative to the term paper which suffers from major problems, including: students who copy papers from others or have so many papers to write that

Table 1

Significant Features of Book Reviews

The following list are suggestions for items that might be included in a book review, but not necessarily in this order.

- A statement of the book's theme or purpose, including the author's intentions, the central theme, and the intended audience.
- An identification of the author(s), including his/her nationality, educational and/or other qualifications, and other books written on the same subject.
- An identification of the book, including the full title, name of the publisher with the date and place of publication.
- An indication of how well the book is organized, that is, the orderliness and logic of the book.
- An assessment on the readability of the book, that is, the writer's style.
- An evaluation of the book as a resource for further reading on the topic, for example, references to sources, use of footnotes, and the inclusion of a bibliography.
- A comparison to other books by the same author and by others on the same topic.
- An evaluation of the sources used by the author(s).
- An inclusion of points of view of others, usually as expressed in reviews.
- An evaluation of the book by the reviewer identifying virtues and faults and a conclusion as to the success or failure of the work.

they cannot do justice to all of them; faculty who do not provide sufficient feedback or often do not give enough specific attention to the nature and aims of the paper; and the tendency to allocate too much of the grade to the paper (Eble, 1988: 133). The book review can avoid, to a degree, some of those problems by utilizing different books, restructuring the assignment, and allocating fewer grades. Keim identified the book review as one of several creative alternatives to the term paper (1991: 105 - 107).

Book Reviews and Business History

The increased availability of books on Canadian corporate stories or histories, businesspersons, and corporate failures or misadventures has made the study of business history through book reviews feasible. Most of the available monographs have been published recently (that is, in the past ten years) and often record recent or contemporary history. From a teaching perspective, there is an advantage to these contemporary histories. Students might be aware of the enterprises, often reading or hearing about the companies and/or businesspersons in the media. This makes the assignment more interesting and easier to relate to.

Even though contemporary histories are involved, the accounts of events, corporate behaviour and business personalities are still historical. Students should appreciate that all historical accounts are subject to interpretation for a variety of reasons, including incomplete information, author bias, and possibly even incorrect data. By studying business history through a review of contemporary writings, students will recognize that not everything that is written is factual. Thus, the assignment not only

increases knowledge of business history, but increases student awareness of how history is recorded, interpreted, and accounted for. The objective is to teach business history and how history is recorded or not recorded.

Three dimensions of the use of the book review assignment in a business history context are outlined below.

Dimension One - The Regular Review

A regular review of a business book can be an assignment. The criteria for students are provided as the significant features of book reviews in Table 1. The student must know the work being reviewed, and, in particular, understand the author's purpose. The assignment also requires that students evaluate the book. This dimension is straight forward and would be appropriate for undergraduate courses. The regular review can be enhanced by making students aware that there are different genres of business books and that other criteria are important depending upon the genre.

Dimension Two - Analysis by Genre

Instructors can build on Dimension One, a regular book review, by providing students with information on the types of books being reviewed, that is, their genre. In the context of this paper, genre refers to a literary form having a particular content or subject. There are numerous genres into which works have been classified, and the criteria used for such classification have been variable. The use of genre is convenient but it is a rather arbitrary way of classifying literature, and this is true for business books. By some literary experts, a genre is conceived as a set of constructive conventions and codes that form a kind of implicit contract between the writer and reader (or reviewer). For an author, the conventions make possible the writing of a particular work of literature while for the reader, such conventions function as a set of expectations which may be controverted or satisfied but enable the reader, or reviewer, to make the work intelligible by relating the book to the world which is defined and ordered in some manner (Abrams, 1981: 70 - 71).

The student's analysis, or review, can now take into account the characteristics, or conventions, of the book they have selected. For the purposes of this paper, four genre will be described: corporate histories, biographies, autobiographies, and corporate misadventures. There are other genre but these four include a large portion of business books. The following is an outline of what should be considered when reviewing books in each of these genre. A point format is used to highlight the main differences.

Corporate Histories

According to one author, "business histories are seldom read, unless you have an endless appetite for bland food" (Hubben, 1986: 80). They are often limited in analysis, especially if written as a commissioned work (Coleman, 1987: 142). Nonetheless, many are worthy efforts to tell a corporation's story and should be read keeping in mind the following criteria.

- Identify the reasons for the corporate history: to glorify a family enterprise; to tell a good tale or story; to satisfy curiosity about the past by providing a record of facts and a chronology of events; to celebrate some anniversary or milestone; or to enhance the company's public relations efforts.
- Describe how the history was initiated, by an outsider, by the company itself, or by an executive or former executive.

- Recognize the implications of the biographers background, that is, a journalist, academic, or former executive or family member.
- Specify the circumstances under which the history was written, for example, commissioned or non-commissioned. Analysis may be restricted by the author-client relationship and result in decisions being recorded but few explanations and comparisons being made. The author of a non-commissioned history may not have access to corporate records, may be threatened by "libel chill," or constrained by the requirements of scholarly integrity of an academic. In-house histories are susceptible to bias or may be one-sided.

Many corporate histories have been written and two Canadian examples are: *Bread Men: How the Westons Built an International Empire* (Davies, 1987), and *The Chocolate Ganongs of St. Stephen* (Folster, 1990).

Biographies

Biography is a common genre form and has been described extensively in the literature (Garraty, 1987; Lomask, 1986; Pachter, 1979). The following evaluative criteria should be outlined to students so that they can assess works in this genre.

- Recognize how the subject was selected, for example, for his or her importance or vividness of character.
- Distinguish between commissioned or authorized, and unauthorized biographies. This determines the circumstances under which the biography is written, for example, the closeness of subject and biographer, the possibility it was written to order, or the likelihood it was written for the market (that is, to obtain royalties).
- Identify the biographic form, including the period covered in the narrative (cradle to grave, to some high point, only covering some part of the subject's life) or if the subject's relationship with another person is covered.
- Ascertain the sources of information. The sources include reportage, research, gossip, staged events, archives, tape recordings, family documents, opinion of contemporaries, reminiscences, personal interviews, letters and journals of persons who know the subject, and earlier biographies. The subject's own writings are also a source, for example, autobiographies, journals and diaries, letters, published works, and speeches. Note the hazards associated with all sources such as accuracy and bias.
- Scrutinize the biographer's selection of materials included and the interpretation of these materials. Observations or conclusions should be based upon verifiable evidence and the author should not elaborate on the truth to make the life more interesting.

Two examples of biographies of Canadian businesspersons are: *Frank Sobey: The Man and the Empire* (Bruce, 1985), and *The Pez: The Manic Life of the Ultimate Promoter* (Wells, 1991).

Autobiographies

Autobiography as a genre is defined as a retrospective prose narrative written by a real person concerning his/her own existence, where the focus is his/her individual life in particular the story of the personality (Lejeune, 1989: 4). The subject tells his/her own story by a narration of events and descriptions recalling the past. The present is represented by the remarks and comments on the events, and any analysis of the past (Szavai, 1984: 114). It is an account of a life based on memories while a biography is a reconstruction prepared from facts based on readings or interviews. When reviewing autobiographies, it is important to consider the following criteria.

- Identify the reasons for writing the account. Some reasons might be: to guide others, usually to success; to explain away failure; to propagandize; to make money; or to provide a record of one's life for historical purposes.
- Recognize the limits of autobiography exemplified in this book. The writer might be accused of any of several mistakes: not remembering everything; omitting some event for aesthetic reasons; unconsciously forgetting unpleasant events; being coy; rationalizing events through the collection process and rearranging them according to some order; or being compelled by consideration of others to keep certain events secret.
- Ascertain the degree of objectivity given that purposeful or unconscious descriptions or distortions are likely as most persons are inadequate at introspection.
- Assess the readability of the book, in particular the logic in the order of the book, the inclusion of excessive detail, and the unbalanced accounts of events.
- Identify whether or not a ghost writer was used, the extent of this writer's contribution, and if the book was enhanced by the use of a professional writer.
- Assess the credibility of the book, or the believability of the writer. The story should not be a planned attempt to justify self by magnifying one's own exploits and depreciating the exploits of foes. On the other hand, the story should not be plagued by false modesty that gives too much credit to others. Credibility is enhanced if the author admits that some things will be forgotten, and that mistakes were made.
- Check for authenticity by assessing whether or not there is evidence, other than remembrances, used to support statements. Some indication should be given of the information sources, other than self, which were used.
- Assess the reality of the book. Any autobiography will be self-centred and present a point of view, but the accurate representation of what happened is important.

Autobiographies are less common, but two examples are: *The Max Ward Story: A Bush Pilot in the Bureaucratic Jungle* (Ward, 1991), and *Sigfusson's Roads* (Sigfusson, 1992).

Business Misadventures

As this genre is not commonly known, a definition is necessary. Misadventures are books that focus on some corporate or entrepreneurial misfortune, mishap or tragedy and cover a relatively brief time period, usually the events over five years or less. A new category, or genre, is necessary because many recently published books do not fall into the histories, biographies, or autobiographies categorization. In a misadventure, usually an event or incident is described and not the full history of the corporation although background on the business or entrepreneur may be provided. The books are not biographies as the life story of an individual is not given in any detail. Autobiographies are not written around a particular event or misfortune of a business person. The following criteria are useful when reviewing books of this genre.

- Determine the timeliness of the account, that is, how soon after the misfortune.
- Assess how much reliability should be placed on the "instant" account of a misadventure.
- Determine the extent of research undertaken. As time constraints usually exist, in depth research is usually not possible. Sometimes the author relies on one source, for example, the transcripts of a public inquiry in a court case, and newspaper coverage is a popular reference.
- Ascertain whether the book was written and edited to suit the publisher's purposes, that is, to get a best seller while the subject was still current.
- Assess the threat of "libel chill" on the manuscript.
- Determine the author's competence, and, more importantly, his or her motives. The authors of instant, misadventure books could be seen as opportunists, regurgitators, or pragmatists.

There have been several accounts of misadventures in Canadian business: *Bricklin* (Fredericks and Chambers, 1977), and *Public Screening: The Battle for Cineplex Odeon* (Hubbard, 1990).

By making distinctions amongst the genre, a student's review or analysis of a book should be more thorough and particular to the type of book selected. Sensitivity to genre will also alert students to the conditions or circumstances under which the historical account was written. The use of book reviews can be extended further to Dimension Three, a comparison between books.

Table 2

Book Review Comparison Possibilities

	Corporate History	Biography	Autobiography	Misadventure
Corporate History	C1	C2	C3	C4
Biography		C5	C6	C7
Autobiography			---	C8
Misadventure				C9

Dimension Three - Book Comparison

The review of one book provides an intellectual exercise for students, but a more indepth analysis and further insights are achieved when two on the same topic are reviewed. The possibilities for comparisons are identified in Table 2

Nine comparison possibilities exist. Two or more corporate histories of the same company could be reviewed, or a corporate history and a biography or autobiography of a corporate executive, and so on. It is unlikely that two autobiographies would exist and thus this possible comparison is omitted.

Examples of the comparisons are:

C1 - *The Lords of the Line: The Men Who Built the CPR* (Cruise and Griffiths, 1988), and *The CPR West: The Iron Road and the Making of a Nation* (Dempsey, 1984).

C2 - *Mr Sam: The Life and Times of Samuel Bronfman* (Marrus, 1991), and *The Bronfman Dynasty* (Newman, 1978).

C3 - *The Little Paper That Grew: Inside the Toronto Sun Publishing Company* (Sonmor, 1993), and *Sunburned: The Memories of a Newspaperman* (Creighton, 1993).

C4 - No known example for same corporation.

C5 - *Citizens Irving and His Legacy* (DeMont, 1991), and *The Biography of K.C. Irving* (How and Costello, 1993).

C6 - *Jimmy - An Autobiography* (Pattison, 1988), and *Portrait of a Capitalist Superstar* (Kelly, 1986).

C7 - *Going for Broke* (Rothchild, 1991), and *Campeau: The Building of an Empire* (Badad and Mulroney, 1989).

C8 - No known example for same corporation.

C9 - *A Matter of Principal* (Fisher, 1990), and *Pay Yourself First: Donald Cormie and the Collapse of the Principal Group of Companies* (Smith, 1993).

In addition to the analytical rigor of the conventional book review, students now must compare books in the same genre or across genres. As a result, the Dimension Three book review accomplishes the following:

- examines student's capabilities to compare works.
- increases student's awareness that there are always several perspectives on a topic, event, or person.
- facilitates monitoring the accuracy of historical accounts written from different perspectives.

Conclusion

The purpose for explaining the dimensions is to prepare instructors to use book reviews, and to emphasize the fact that they are something more than book reports. There are several advantages to book reviews: they are novel, that is, different than term papers; they encourage independent thinking if the instructor coaches students on the assignment; the authors have found that students are able to find some title of interest to them; and there is now a more than adequate supply of books on business.

Students should understand that accounts of business and businesspersons are not completely factual or objective. A carefully assigned book review that uses criteria from this paper will enable students to become sensitive to the conditions and circumstances under which business history is recorded.

The book review methodology and the approaches proposed in this paper, are not without some drawbacks. Unless students are carefully instructed on what are the features of a book review versus a book report, there is a tendency for them to retell the story, or merely summarize the book. Plagiarism from published book reviews is possible, but this can be overcome to some extent if students are asked to read other reviews and to reference them.

The authors believe that the use of book reviews is a neglected instructional methodology with business or management academics. This paper has attempted to convince academics to utilize book reviews and to assist them to do so. The study of business history through such reviews increases student knowledge of not only history, but the factors that influence how a history is recorded.

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TRACING THE TRANSBORDER FLOW OF A NONUNION EMPLOYEE REPRESENTATION PLAN

This study reveals the origins and longevity of the Joint Industrial Council, also commonly called the "American Plan". Invented by William Lyon Mackenzie King for the Rockefeller Foundation, the plan eventually entered Canada and was embraced by the giant of the petroleum industry, Imperial Oil. The effects on the petroleum industry are explored.

The fluidity of the Canadian-American border is illustrated using the flow of industrial relations ideas and practices since the turn of the century. Particular emphasis is on the Canadian petroleum industry and the specific case of the Joint Industrial Council (JIC), a nonunion form of industrial relations whose most noteworthy proponents in Canada are the giant Imperial Oil and its Esso subsidiaries.

The significance of this paper is threefold. First, it demonstrates the cross-border flow of ideas for nonunion worksite governance. There is no shortage of scholarly works on the transnational aspects of the collective bargaining regime (e.g. Abella, 1973). Little is known, however, about employee representation outside the realm of formal labour organizations. In the United States there is a vigorous public policy debate on worksite governance (e.g. Kaufman and Kleiner, 1993; Weiler, 1991) and Canadians are likely to observe their neighbours to the south begin to articulate both the practical and the ethical dimensions of enhancing the role of workers (Kaufman, 1992). It will not be long before our research agenda becomes influenced by the American debate, and we begin rediscovering our own experiences with worksite governance schemes.

Second, the paper describes the workings of the JIC, a sophisticated and enduring nonunion system. Again, this is an especially salient topic for scholars whose attention has been captured by the debate over the consequences of the precipitous drop in union density figures in the United States (Kochan, Katz and McKersie, 1986). While in America, employer assisted forms of employee representation were outlawed by the Wagner Act in the late 1930s, a similar ban did not become policy in Canada. The impression often given in the American literature (e.g. Nelson, 1993) is of the withering away of the JIC, as if it were merely a noteworthy historical artifact. On the contrary, JICs have been practiced vigorously and without interruption in the most dominant firm in one of Canada's major industries.

Finally, the intent is to renew interest in the legacy of William Lyon Mackenzie King and to repatriate for Canadian industrial relations the so-called "Colorado" or "American Plan". King's considerable input into the direction of Canadian labour laws over a 50 year period is legendary. His influence, however, on the current state of industrial relations in the Canadian petroleum sector is largely unacknowledged by academics although it is well known by industry practitioners. What is widely termed the "American Plan" for industrial relations was invented by Mackenzie King while he consulted to the Rockefeller Foundation in the midst of a career hiatus on his long route to the prime ministry of Canada.

Though these three aims give the paper an impossibly ambitious scope - transborder relations, worksite arrangements, and human agency - these points converge in the story of Imperial Oil's industrial relations. The elements of the paper are recounted in a series of brief vignettes, moving from a discussion which situates Imperial Oil in the petroleum industry to an outline of the factors which influenced employee representation. Management strategies of union avoidance are described, and King's JIC plan is outlined. The paper moves to the current industrial relations scene in the petroleum industry. It assesses the effects of the JIC over time on propensity of Imperial Oil employees to unionize, and identifies the spillover effects of the Imperial Oil industrial relations strategies on the rest of the industry.

Methods and Sources

This paper draws on historic records, archival materials, and interviews conducted with both ECWU (now CEP) union officials and managers throughout the petroleum industry, and secondary sources such as biographies of King and sketches of Imperial Oil.¹ In addition, King's own Industry and Humanity (1918) remains an unprecedented (though stylistically ponderous) statement of his industrial relations philosophy.

In 1984 the Energy and Chemical Workers Union donated its entire union files to the Alberta Provincial Archives in Edmonton. The archives consist of over thousands of records capturing the fledgling union's first organizing attempts of the 1950s to the mature union's internal bureaucracy and interactions with managers in the mid 1980s. Files pertaining to Imperial Oil - the numerous organizing attempts, the records of correspondence regarding the company's influence on the industry - were drawn on for this paper. The National Director Emeritis of the ECWU, Neil Reimer, kindly allowed almost 15 hours of interviews setting the industrial relations context of the industry, and in 1991 other important union officials also were interviewed, including the (then) President of the ECWU. Over 30 industrial relations and human resource managers in all the major firms, plus others in smaller companies, were interviewed about their own firms' activities, using semi-structured interviews averaging one and a half hours. The influence of Imperial Oil was always discussed. The interviews were conducted from 1991 to the fall of 1993. During that time, various worksites were visited and observations were made about the variations in employee representation plans at the plant level.

1 This paper forms part of a larger study of the impact of industrial relations strategy on human resource practices in the Canadian energy industry (Taras 1994).

Petroleum Firms and the Rise of Imperial Oil

Of the mega-corporations that have been particularly active in developing Canada's petroleum industry, Imperial Oil, Standard Oil (and its corporate progeny) and Shell have enjoyed the greatest longevity and influence. Imperial Oil was founded in Ontario in 1880 with the amalgamation of 16 firms in order to counter competition from American companies, principally Standard Oil Co. (a Rockefeller interest). Later Imperial became heavily involved in western Canada to "counter the aggressive intentions of Royal Dutch Shell" (de Mille 1969: 145-160). The final decades of the last century saw heated competition between Canadian and American interests. Imperial pitched its slogan "EVERYWHERE IN CANADA" as it scrambled to open branch marketing offices across the country, and also to develop a world-wide market.

Standard Oil was attempting to penetrate the Canadian market through the use of Canadian affiliates, including Eastern Oil, Bushnell, Queen City Oil and British Columbia Oil (Williamson et al 1963, Gibb and Knowlton 1956; Larson, Knowlton and Popple 1971). Standard Oil increased the tempo of its Canadian expansion by acquiring a financially weakened Imperial Oil in 1878. Thus, control over the dominant Canadian firm passed to American hands quite early in the industry's evolution. Imperial today is two-thirds owned by Exxon.

The business strategy followed by Imperial Oil throughout its expansionary phase was initially devised by its prominent consulting geologist, Dr. T. O. Bosworth in a 1914 document worthy of Machiavelli himself:

To avoid all competition, I strongly advise that you form a controlling company or syndicate containing the most influential men... It would then be the business of your company to carry out those branches of the exploitations which control the rest, make the investigations, hold the technical knowledge and secure the valuable territories, which you would assign to the smaller companies in return for royalties on the oil. You would also provide for the transportation, the necessary railroads, the pipe lines, the refineries and what is more important than all the rest, and which would give you complete command of the whole situation, all of the oil produced in the region would pass through your hands to be marketed by you... If you would succeed in promoting a great scheme on some such lines as these, no small rival group could hope to compete against you, and you might eventually be in the position to control the great oilfields of the north. [Imperial Oil Archives]

Imperial's growth was spectacular, and today Imperial Oil (through its Esso subsidiaries) is substantially larger in oil and gas liquids production than the second and third ranking companies in Canada combined. It is the fifth ranking natural gas producer, and seventh in land holdings. Though its workforce has declined from 14,000 to 10,000, it remains the largest employer in the Canadian energy sector, with 4,000 employees more than the second ranked company, Petro-Canada.

The industry is almost 64 percent controlled by foreign interests, over two-thirds of which are American. The effects of foreign ownership vary from firm to firm. At one end of a continuum are the "100 percenters" or "red phone" operations such as Mobil, Amoco, and Chevron,

which are both owned and tightly controlled by American head offices (Doern and Toner, 1986: 211; 1991-2 interviews). Other firms such as Canadian Occidental and even Imperial, with lesser degrees of American ownership, tend to allow greater autonomy of Canadian operations and human resource approaches.

Industrial Relations in Context

From the turn of the century to World War II, the oil industry was harnessing the great Turner Valley oilfields of Alberta. At the same time, the coal mines in the nearby Crow's Nest Pass were the site of some of the most violent labour organizing attempts in Canada (e.g. 1906, 1932). It would be no exaggeration to say that coal miners and their employers were periodically locked into a state of war. The Mineworkers were battling the coal mining companies for union recognition throughout the time that the oilfield activity was burgeoning less than 200 miles away. Yet in a rich collection of documents, photographs and oral histories contained in a recounting of Turner Valley oilfield developments (Light of the Flares, 1979) there is not a single mention of union activity or of employee representation.

There are at least 7 factors which explain the early lack of union inroads:

- (1) While a coal mine employs hundreds of workers in a confined location, by contrast it takes very few workers to drill and maintain an oil well. This makes organizing very difficult and unattractive to unions, as the expense and time involved in organizing cannot be recouped in union dues.
- (2) Most of the skilled oilfield workers before World War II were temporary workers from the United States, who probably had less affinity for unions than coal miners who were drawn from a more radical and militant tradition in their mother countries (Finch, 1985). Even in the 1990s there is not a single unionized drilling rig in the country.
- (3) The Depression and the dustbowl affected the supply of labour. The prairies were a particularly tragic location in the 1930s, and a large pool of unemployed workers were available who would not have risked their jobs by engaging in industrial unrest.
- (4) Jurisdictional squabbling within the union movement itself over the rights to organize the emerging energy industry prevented an early and concerted organizing effort.
- (5) The continuous process technology and capital intensivity of the industry created a constant erosion in the numbers of workers required to run a plant, and the decentralization of plant operations across the country means that organizing efforts do not flow readily across the industry.
- (6) The Social Credit government of Alberta under Premiers "Bible Bill" Aberhardt and Manning exempted the oil industry from certain statutory requirements, and the Labour Board interpreted the laws in a manner unfavourable to union certifications.
- (7) Petroleum firms tended to react quickly to union organizing attempts by raising wages above the union rates. Thus, workers could achieve many of the gains of unionization through the "management shock" effect of organizing drives, without ultimately having to join unions. In the petroleum industry, workers were adept at recognizing that their bark made a union bite unnecessary.

Only after the might of the American CIO organizing efforts spread to Canada did unions begin to make real inroads into the oil industry. The heart of unionism is in the petroleum industry's downstream

operations (refineries and warehouses) which are located near mass markets and unionized locals in other industries. Organizing spread with the arrival of the Canadian branch of the CIO-based OCAW union in the 1950s (later known as the ECWU and today called the CEP). Many Canadian gas plants and refineries were certified, and the late 1960s the union conducted a series of coordinated nation-wide strikes to entrench its national pattern bargaining programme into industry practice.

The picture today is represented in Table 1, where it is apparent that while union density as a percentage of total employment is low, unions have considerable strength in the "in scope" segment of the workforce. There are, however, a wide range of worksite representation arrangements, and over 10 percent of hourly employees express themselves to management through formal and company-wide joint industrial councils or employee-management advisory councils (EMACs) which are quite similar to JICs.

TABLE 1

Employee Representation Modes in the Petroleum Industry (1992)

	No. of employees		No. of Companies
Total employees	63,662		38
Total hourly workers	17,385		38
Employee Representation Modes of Hourly workers			
		Percentage of Hourly Workers*	N. of Companies
ECWU certified	5,644	32.5%	17
Certified by other national/int'l unions	569	3.3	6
Certified by independent unions or associations	742	4.3	4
Non-certified employee associations	1,025	5.9	5
Formal JICs	1,492	8.6	6
Formal EMACs	650	2.7	2
Unrepresented	7,618	43.8	27

* This column adds to over 102 percent because of slight inaccuracies and rounding of respondents' calculations of total hourly workers and their various forms of worker representation.

Source: Taras (1994), Chapter 3.

Management Strategies in Industrial Relations

The history of strategic management of oil patch industrial relations begins with a review of the impact of William Lyon Mackenzie King, indisputably the most influential individual in Canadian industrial relations history (Bercuson in King 1918/1973: vi-xxiv). As first editor of the Labour Gazette, deputy minister of labour, minister of labour, and multi-term prime minister of Canada for over 20 years, his imprimatur can be found on virtually all Canadian labour legislation. Less known is his influence on non-union industrial relations, and in particular, his important contribution to the industrial relations practices of the Canadian oil industry - the topic of this section of the paper.

King greatly advocated industrial democracy, but did not feel that the only vehicle for its attainment was that provided by organized labour. He opposed management's discrimination towards workers who joined unions, but at the same time he also opposed unions' closed shop restrictions, and argued against both compulsory recognition of unions and the exclusivity of bargaining function in the hands of a union.

King came to prominence for his mediation skills under his Industrial Disputes Investigation Act (1907), and he had intervened in a number of contentious strikes throughout Canada. With his substantial amount of experience in violent unrest, King was courted by the Rockefeller Foundation after the Colorado Fuel and Iron Company and United Mine Worker's dispute erupted into the infamous Ludlow Massacre of 1914. King was called to investigate the company's labour relations.

King launched a four-prong programme for a new industrial plan, consisting of a corporate welfare system, a grievance procedure, an employees' bill of rights, and a plan for employee representation through JICs.² JICs consist of selected (management) and elected (worker) representatives in equal numbers who meet regularly on matters such as health, sanitation, safety and accidents, recreation, education and conciliation. Employees are free to join unions (which later became a right under both the Wagner Act in the United States and the various federal and provincial labour acts in Canada), but King was silent on the issue of whether companies should be required to actually recognize and bargain with unions. While providing a forum for employee "voice" (Freeman and Medoff, 1984), the decision-making was retained in management hands through a management rights clause:

The right to hire and discharge, the management of the properties, and the direction of the working forces, shall be vested exclusively in the Company, and, except as expressly restricted, this right shall not be abridged by anything contained herein. (quoted in King 1973: ix)

Scholars often refer to JICs as "company unions." In the interests of accuracy, it is important to point out the JICs are neither unions nor a form of co-determination similar to European-style works councils. They do not represent the exclusive interests or bargaining rights of

2 The "Colorado Plan" (later known as the "American Plan") is described in King's words in Industry and Humanity, pp. 278-287, but without reference to the violent strike that preceded it, or to the recognition issue that he neatly side-stepped. The actual plan is filed in the Public Archives of Canada, King Papers Vol C34: Industrial Representation Plan... of the Colorado Fuel and Iron Company," # c26129.

workers, but rather, are joint problem-solving forums which are supported by the company.³

Industry response to the JIC was enthusiastic, and King's plan spread quickly throughout the Rockefeller companies and other major employers until it was halted by the Wagner Act. Via Standard Oil, the plan spread to Imperial Oil in Canada in the 1920s where it was adopted wholeheartedly by management. Examples of Imperial's JIC plans are found in the ECWU archives. JICs operate in each plant, and a larger JIC operates for the whole company.

Forestalling Unions

Imperial Oil has been the target of at least six nation-wide organizing attempts by the ECWU, and the JIC was the specific target of pamphleteering and newspaper advertising campaign. Examples of union attacks and company response, taken from the union's archives, are presented in Exhibit 1.

Despite what is obviously a concerted effort on the part of the union to make Imperial the flagship of its membership, time has proven Imperial's invulnerability. Less than five percent of Imperial's hourly workers (the "unionizable" or in-scope segment of its workforce), located at its IOCO facilities in British Columbia and in Sarnia, are union certified. In the 1960s, the Calgary refinery chose to reject its JIC and become certified, but the plant subsequently closed due to technological obsolescence. Today IOCO is teetering on the brink of plant closure.

It would be extremely misleading to attribute Imperial's repulsion of unions exclusively to the JIC. Indeed, throughout its post-World War II history, Imperial has pursued an aggressive high-wage strategy which always matched or exceeded the union wage pattern (Taras, 1993). Thus, from the union's perspective, Imperial's nonunion workers formed the largest free rider group in the country, having achieved all of the benefits of collective bargaining with none of the associated costs in the form of dues or strike action.

Where Imperial has had to take on a union at the Calgary and IOCO plants, it has done so with grace and cooperation. The union has far worse companies to deal with than Imperial (Interviews, 1991-92). Imperial managers admit that they are "not so much anti-union as pro-JIC. We just don't see why it is necessary for a third party [the union] to enter our relations with our employees." Support for the JIC approach seems to be deeply embedded in Imperial's culture.

3 There are examples in the Canadian oilpatch of so-called "company unions" where the company encourages the formation of independent locals run by company-friendly workers in the interests of preventing hostile national or international unions from penetrating the workforce. Such unions are usually voluntarily recognized by the company. In order to seek legal status as certified bargaining agents, however, unions cannot have any form of management domination or influence. Thus, true "company unions" are not legal entities under collective bargaining laws.

EXHIBIT 1

The Union Attacks and Imperial Oil Responds

TIME TO THINK



TIME FOR ACTION!

Imperial Oil employees across the nation are joining OCAW. You can and should be a member of the union that can best serve your interests.

Join OCAW now and PUT A TIGER IN YOUR CONTRACT!

OIL, CHEMICAL & ATOMIC WORKERS
INTERNATIONAL UNION (C.L.C.)

OCAW

TWO FACES OF THE TIGER



This is the Imperial Oil tiger. He has every right to smile and look happy! ... Profits have never been higher, and the future has never looked brighter. He's a TIGER IN THE TANK!



Here is the other face of the Imperial Oil tiger ... Just ask him a question about Job Security, or a decent wage increase, and watch him growl! Put a TIGER IN YOUR CONTRACT!

HOLD THAT TIGER!

O.C.A.W. bargaining units are negotiating across the nation. The gains O.C.A.W. members win will be a benefit to ALL Oil Workers.

Now is the time to take the tiger by the tail! Join O.C.A.W. NOW and participate in the collective bargaining that can improve your wages and working conditions.

OIL, CHEMICAL & ATOMIC WORKERS
INTERNATIONAL UNION (C.L.C.)

OCAW

Two examples of OCAW leaflets, ECWU Archives
Accession No. 91.378/162



He drives a bargain with Imperial

He is a representative of Imperial Oil's employees, chosen by secret ballot.

He negotiates with management for written agreements on wages and working conditions.

Usually he is a member of a Joint Council, a system of employee representation developed at Imperial 40 years ago and today the choice of 3,000 employees at 21 operations from coast to coast. In two years, involving 200 persons, employees have shown interest, as they are free to do.

In 40 years not a single day has been lost due to a labor dispute by employees represented on a Joint Council.

Employees stay with a company which has good labor relations. Over a third of Imperial's employees have more than 10 years' service. 2,000 have more than 25. Another reason ...

... why people say

IMPERIAL

is a good place to work

ESSO
IMPERIAL
PRODUCTS

IMPERIAL OIL LIMITED

Left: Imperial Oil advertisement
Vancouver Sun, 1957
(Roberts: 82)

Influence of Imperial JICs on the Industry

Imperial's JICs have the effect on the industry of validating and legitimizing sophisticated nonunion employee representation schemes. While very few companies have gone to the same extremes as Imperial Oil (except those companies having their origins in the breakup of Standard Oil), the fact that Imperial considers employee input to be worthy of the time and attention needed to run JICs has the effect of leveraging up the salience of worksite voice issues across the industry. More recently, Imperial has had problems with some JIC locations (in particular its Strathcona plant), and has developed a "planning board" idea to supplement the JIC plan. Nonetheless, it has moved in the direction of greater employee input and greater complexity of nonunion structures, a direction which is carefully observed by other companies.

Though the JIC has not diffused throughout the industry, it has attracted considerable attention and a few imitators. The major pattern setting firm for the unionized segment of the Canadian petroleum sector is Petro-Canada. Noting its vulnerability to union strikes and fearing increased union penetration in its remaining nonunion facilities, Petro-Canada moved quickly to replicate a structure similar to Imperial's JIC, the Employee Management Advisory Council.

While the claim is often made that Imperial is "in love with its system", other industry participants are far less enamoured of JICs and other nonunion meta-structures. In interviews, experienced managers criticized the excesses of time and attention required to operate within a JIC structure, and question whether the JIC is even necessary to prevent union inroads. For example, one human resource manager admitted:

I don't believe in JICs. The positives to the collective bargaining regime are that when you cut a deal, when you're done, you're done... Our experience [with a JIC at one plant] was that it never quits.

Another senior human resource consultant at a major multinational company characterized JICs as "pet bears":

JICs lead to blackmail... You pay a price with a JIC. It is like having a pet bear. It is okay as long as you feed it and pat it on the back once in a while. I'd rather be non-union or union. I'm not sure this never-never land in between is worth the price. Even if you are dealing with a rotten union, you have legal parameters...

Implications for Future Research

In tracing the history of the JIC in Canada, a number of issues have been raised for future research. In particular, there are questions about the effectiveness of a JIC as a form of employee representation and whether it is more difficult to manage than a union-certified location. Are JICs like "pet bears" which persist only because they are deeply entrenched within Imperial Oil, or do they really result in better outcomes for Imperial? Is it the high-wage policy of Imperial or its JICs that have created the greater barrier to unionization? Canada's experiences with Mackenzie King's nonunion plan could make an important cross-border contribution to the American labour policy debate.

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