The Netherlands: the overlooked variety of big business

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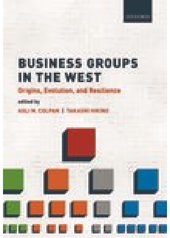

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CHAPTER

7 The Netherlands: *The Overlooked Variety Of Big Business*

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Abstract

This chapter presents an introductory and exploratory overview of the history and present state of business groups in the Netherlands, with an emphasis on large business in the twentieth century. Statistical data and overviews are complemented by case studies, in order to sketch the diversity in business groups among Dutch businesses. Although business groups were present throughout modern Dutch business history, they were never the dominant organizational form. Although some large multinationals can be classified as business groups and many smaller family businesses are business groups, little attention has been paid to the organizational form in the literature. The chapter cannot document general motivations for Dutch firms to opt for a business group structure but presents several case-specific and idiosyncratic reasons.

Keywords: business groups, Netherlands, family business, big business, diversification

Subject: Business History, International Business

7.1 Introduction

UNTIL fairly recently, economic and business historians argued that the Managerial Enterprise, modeled after American big business, with professional managers and having a multidivisional form (M-form), was the final stage of development of big companies. This idea—convergence on one dominant model—is no longer accepted, because there are and always have been a variety of business models (Lamoreaux, Raff, and Temin, 2003; Langlois, 2013). Each of these models offers advantages and disadvantages for entrepreneurs. One major alternative form is the business group.[1] These groups are hardly novel and often grew out of family firms globally active in trade and transport from the nineteenth century. Many started in the colonies of Western countries in South America, Asia, and Africa (Jones and Wale, 1998; San Román, Fernández Pérez, and Gil López, 2014).

Different explanations have been offered for the existence of business groups, including the development or lack thereof of the market (transaction costs perspective), political factors, social relations (network theory), institutional voids, and corporate governance (agency problems) (Smångs, 2006; Yiu et al., 2007; Colpan and Hikino, 2010). These explanations either stress negative factors (e.g., underdevelopment of the capital market) or positive features of business groups (e.g., flexibility). While these factors may offer an explanation for the existence of business groups in late-industrializing or emerging economies, they are mostly not convincing in the case of mature Western countries. Yet business groups exist in today's Western
p. 166 countries as ↳ well, even in such highly developed countries as Sweden or Belgium (Kurgan-van Hentenryk, 1997; Smångs, 2008). Entrepreneurs in these countries prefer business groups because they are flexible with regard to training and reshuffling of managers, facilitating internal or cross-financing, spreading innovation and new technologies, disseminating knowledge on marketing and sales, and sharing experiences (Sköld and Karlsson, 2012).

The focus of this chapter is on business groups in the Netherlands during the twentieth century. The existence of business groups in a highly developed economy like the Netherlands confirms the need to develop alternative explanations. Business historians and management scholars alike have largely disregarded Dutch business groups until now. This could mean that either there have been no significant business groups in the Netherlands or they have simply ignored them because the preferred unit of analysis, especially in business history, is the company. Because of this lack of previous studies, our research on business groups in the Netherlands is exploratory and introductory.

Despite the lack of research from business historians, some scholars—mostly economists and business researchers—have discovered numerous business groups in the Netherlands. The multi-country study by Belenzon and Berkovitz, for instance, records the prevalence of business groups in the Netherlands compared to stand-alone firms: on average 43.9 percent of firms in their sample of countries were part of a business group (Belenzon and Berkovitz, 2008, 2010). In the Netherlands this was even 67 percent, one of the highest scores in their data (the highest was Sweden at 74 percent and the lowest the United States at 0 percent). The data used by Belenzon and Berkovitz consists of 1,922 private and public companies in the Netherlands as of 2005: 634 (33 percent) were counted as stand-alone and 1,288 (67 percent) as affiliates belonging to a business group (Belenzon and Berkovitz, 2008: 26). Heugens and Zyglidopoulos also compare business groups around the world, but their data on the Netherlands is taken from Belenzon and Berkovitz (Heugens and Zyglidopoulos, 2008). The high score of the Netherlands is perhaps not surprising given the widespread existence and importance of family firms in a sample of large companies in the Dutch economy (La Porta, Lopez-de-Silanes, and Shleifer, 1999: 492–3).

The limited amount of research on business groups in the Netherlands is related to the availability of data. Information on share ownership in listed companies prior to the 1992 Wet Melding Zeggenschapsrecht (Law Reporting Majority-Ownership) is almost completely lacking. The law obliged legal entities to report share holdings of 5 percent or more. Shareholders of listed companies before 1991 were not registered but bearer only. Existing company histories thus rarely provide information on the identity of the shareholders (De Jong and Röell, 2005: 481). Furthermore, until 2008 national statistics bureaus recorded mainly legal entities, where business groups are enterprises consisting of many interlinked legal entities. After 2008 the European Union (EU) instructed national statistical bureaus to start collecting information on business groups. According to Statistics Netherlands, in 2010 there were 1,604 non-financial business groups, called
p. 167
"enterprise groups," in the Netherlands. Two years ↳ later their number had risen to 1,891.[2] This includes Dutch groups and foreign-owned groups in the Netherlands. Most of these business groups were in agriculture and manufacturing (758), followed by trade and catering (653), transport and ICT (229), and personal and business services (251).[3]

Before jumping to conclusions, we must carefully look at the data used by these scholars and especially their definition of a business group. The data they present usually offers no information on the historical development of business groups: they are snapshots in time (usually the past few years). Most authors use different definitions when investigating business groups. For example, Belenzon and Berkovitz define a business group very broadly as "an organizational form in which at least two legally independent firms are controlled by the same ultimate owner."[4] The literature on business groups is in general hampered by a lack of consensus on a definition (Cuervo-Cazurra, 2006: 420–2). For our research we have used the definition and typology of Colpan and Hikino (Chapter 1, this volume): "An economic coordination mechanism in which legally independent companies utilize the collaborative arrangements to enhance their collective economic welfare."[5] This broad definition includes two main types of business groups: hierarchy and network. The focus in this chapter is on the hierarchal business groups, and especially their diversified variety.

Section 7.2 presents an overview of the history of big business, including the development of banking, in the Netherlands in the twentieth century. In Section 7.3 we construct a Top 20 of publicly listed firms for eleven benchmark years in the period 1903–2003. We next analyze the prevalence and importance of business groups in the Top 20, including the types of business group. To clarify the evolution of business groups, we provide two case studies: a bank-centered and a trading-company-centered business group. Our data on the Top 20 includes only listed companies, but there are also unlisted large companies in the Netherlands, many of which are family-owned. For Section 7.4 we thus exploit a different source to trace these family business groups. This section again contains two case studies. We end in Section 7.5 with some concluding remarks on the prevalence and resilience of business groups in the Netherlands during the twentieth century.

p. 168 ## 7.2 Big Business in the Netherlands: an Overview

In every country the absolute number of big companies is small compared to the number of small and medium-sized enterprises (SMEs). In 1888–90 there were just 98 companies in the Netherlands with more than 200 employees, which is considered big in the Netherlands; in 1930 this was 709 (or 0.2 percent) of a total of 395,357 registered companies. In 1950 the number of big companies had increased to 3,580, or 1.1 percent, of the total number of companies. Fifty years later this was about 4,000, or just 1 percent (Van Gerwen and De Goey, 2008). Despite their small absolute number, big companies were important contributors to national employment, gross domestic product, and value added.

Company histories on most big businesses in the Netherlands are readily available, but systematic research is limited. In 1993 Bloemen et al. investigated the development of big manufacturing companies, using asset size as a criterion, between 1913 and 1990 (Bloemen, Kok, and Van Zanden, 1993; Bloemen, Fransen, Kok, and van Zanden, 1993). Their study therefore does not include the important service sector. They used the same methodology as business historian A. D. Chandler Jr. in his 1990 book on big business in the United States, Great Britain, and Germany (Chandler, 1990). According to Bloemen et al., Dutch big business in the twentieth century was dominated by a few very large companies: Royal Dutch Shell (oil), Unilever (food), Philips (electronics), AKZO (chemicals), Hoogovens (steel), and DSM (chemicals). To these six big companies we could add others, such as KLM, Fokker, Elsevier, and Heineken (see Appendix, this chapter).

New companies, especially in manufacturing, are usually single-product firms. In the course of their history, through mergers and acquisitions, they diversify in related and unrelated activities. Some become a classic multinational, others form a conglomerate or business group. This development is, however, not a linear process, as companies can follow very different paths. A short history of the six largest Dutch companies will demonstrate this.

Two family firms, Jurgens and Van den Bergh, began producing margarine in the 1870s. The fierce competition forced both firms to incorporate as a joint-stock company and in 1927 they merged to form the Margarine Union. Two years later the Margarine Union merged with the British soap manufacturer Lever Company to form Unilever. Unilever had a unique management structure, with two holdings in each country of origin, two chairmen, and two head offices in London and Rotterdam. In the 1960s Unilever's main business was still in food and soap, but about one third in unrelated activities: specialty chemicals; paper and packaging; transport and trucking; advertising and market research; plantations, logging, and trading. It kept a decentralized structure with a large number of subsidiaries in manufacturing and services (Wilson, p. 169 1954; Wilson, 1968; Jones, 2005b). After the discovery of oil in the ↳ Dutch East Indies, several Dutch entrepreneurs applied for a mining concession. In 1890 they founded the Royal Dutch Petroleum Company, which sold petroleum in East Asian markets. In 1907 Royal Dutch merged with the British company Shell. Royal Dutch Shell developed into an international oil company, with interests in mining, manufacturing, transport, and retailing. Like Unilever, it had a dual nationality and organizational structure (Jonker and Van Zanden, 2007). In 1891 Gerard Philips started to manufacture incandescent lamps. Cut off from his main suppliers during the First World War, when the Netherlands remained neutral, Philips was forced to invest in a large number of factories, including glass manufacturing, paper, and packaging. After the war Philips became an international electronics company, producing light bulbs, radios, televisions, shavers, and a growing number of electric consumer products (Heerding, 1980, 1986). The artificial fiber company ENKA was established in 1911 by a number of wealthy industrialists, including F. H. Fentener van Vlissingen (see Section 7.4). In 1929 ENKA merged with the German company Glanzstoff to form AKU. AKU merged in 1969 with the Dutch firm KZO (chemicals and pharmaceuticals) to form AKZO, and in 1994 it merged with the Norwegian firm Nobel becoming AKZO Nobel. The main business of AKZO Nobel was in pharma, coatings, and chemicals, until the pharma business was sold. The First World War convinced Dutch industrialists to establish a blast furnace and steel company to become less dependent on foreign supplies. In 1924 Hoogovens began producing iron and steel. It concluded several joint ventures with other large Dutch companies, including fertilizer (to utilize its byproducts) and steel barrels (De Vries, 1968; Dankers and Verheul, 1993). The last big company is De Staatsmijnen (DSM), originally a state-owned coal-mining company. Before the Second World War DSM produced fertilizer and chemicals, byproducts related to coal. After the closing of the coal mines in the 1960s, DSM became a manufacturer of bulk and fine chemicals (Homburg, 2004). These companies all started as single-product firms in a limited number of sectors typical for the Second Industrial Revolution (Van Zanden, 1998). This was no coincidence, because the Netherlands industrialized late in the nineteenth century.

The First Industrial Revolution (coal, iron, and steam) had little impact on the formation of business groups in the United Kingdom of the Netherlands (1814–30), except in the industrialized southern Netherlands (later Belgium). The separation in 1830 of Belgium most likely reduced the number of business groups. While in Belgium after 1830 the Société Générale de Belgique[6] and some wealthy families (including Solvay, Coppée, and Boël) actively collaborated to develop the country through investments in mines, iron and steel, railways, manufacturing, and colonies (Congo), such close cooperation was almost absent in the Netherlands in the nineteenth century. The relatively late industrialization of the Netherlands compared to p. 170 the UK and Germany cannot be attributed to a lack of capital, a preference to invest in trade and services or ↳ foreign bonds and securities. In the early nineteenth century the Netherlands was one of the wealthiest countries in the world. This was the legacy of the Golden Age of the seventeenth century when the Dutch created a global empire based on trade and spices. It led to the development of the stock exchange in Amsterdam and trading companies such as the Dutch East India Company, better known as VOC (Vereenigde Oostindische Compagnie, 1602–1799). However, following the Napoleonic Wars (1803–15) the Dutch economy stagnated until the 1870s. Most companies were small-scale and family-owned. Their demand for external financing remained very modest and they preferred retained earnings and private loans to finance business activities (De Jong and Röell, 2005: 468–72). This allowed them to maintain control of the family business.

Because industrialization occurred relatively late and demand for investment capital remained small, modern banking did not develop until the late nineteenth century. Before the 1860s there were various financial intermediaries: commission traders and merchant houses, cashiers (“kassiers”), Jewish banks, and the Nederlandsche Bank (established in 1814). Except for the latter, these were also small-scale family-owned businesses providing financial services, including insurance, brokering, changing money, and short-term credit. In the period 1860–90 the banking sector witnessed several structural changes: the establishment of new commercial joint-stock banks and the creation of a national network of agencies by these banks. These changes reflect the growing demand for investment capital from manufacturing companies. However, even in the 1880s most manufacturing firms started on a modest scale with families, relatives, and business associates providing the necessary start-up capital. The Amsterdam stock exchange was one of several ways to finance a company. In rare cases Dutch companies used the London stock market to float shares, including the margarine company Van den Bergh (later Unilever) and the Rotterdam-based company R. S. Stokvis (Jonker, 2009).

In the period 1890–1920 the Dutch banks grew rapidly through mergers and acquisitions. By 1925 five banks dominated the Dutch banking sector, including the Amsterdamsche Bank, Rotterdamsche Bank, Twentsche Bank, Incassobank, and Nederlandsche Handel-Maatschappij (NHM, see Section 7.3.2.1). Increasingly these banks made long-term investments in manufacturing companies and often initiated the establishment of new enterprises. In return they occupied seats on the supervisory boards (Raad van Commissarissen). However, after the short but severe crisis of the early 1920s the banks gave up their seats and a more conservative attitude towards financing returned. Many Dutch companies, even large enterprises, continued to prefer internal financing (De Jong and Röell, 2005; Van Zanden, 2009). In the early 1960s a second merger wave led to the establishment of large banks, including Algemene Bank Nederland (ABN, a merger between Twentsche Bank and NHM) and AMRO (a merger of Amsterdamsche Bank and Rotterdamsche Bank). In the 1970s and 1980s rising wages, declining profits, new national legislation, the development of the European Economic Community (EEC, later European Union), and growing international competition p. 171 forced Dutch companies to adapt their strategy (Barendregt and Visser, ↳ 2009). They either disappeared completely from the Amsterdam stock exchange or applied for official quotation to issue shares in order to finance their (international) expansion. They preferred related diversification, while unrelated diversification, according to De Jong et al., “was a sparsely used strategy in the Netherlands, but as far as it happened, it happened in the 1970s” (De Jong, Sluyterman, and Westerhuis, 2011: 72). This was followed by a third merger wave in the early 1990s, this time involving banks and insurance companies, after the legal ban on this type of merger was lifted. This created several large financial companies: ABN AMRO, ING, RABO, AEGON, and Reaal.

7.3 Big Business and Publicly Listed Business Groups

To investigate the prevalence of business groups we collected balance-sheet data on Dutch companies between 1903 and 2003, with ten-year intervals, listed on the Amsterdam stock exchange.[7] For each benchmark year we constructed a Top 20 of the biggest companies. There are several criteria to determine the size of companies: market value, book value of assets, turnover, and number of employees or added value. All these criteria have advantages and disadvantages. Unfortunately data for most of these criteria are not available for the whole of the twentieth century. We therefore decided to collect information on the total asset size. The data is taken from *Van Oss Effectenboek*, an annual guidebook for investors on the Amsterdam stock exchange.[8] We supplement this data with others sources, including the Orbis database, the *Gale Directory of Business Histories*, and several company histories. In contrast to the previously mentioned research by Bloemen et al., our data includes manufacturing companies and the service sector, mainly transport and trade. These were important throughout Dutch economic and business history (Van Zanden and Van Riel, 2000).

The data includes companies established in the Netherlands and which expanded to other Western and non-Western countries. There were also many firms whose focus was mainly on the Dutch colonies in the West Indies and East Indies. The company seat was in the mother country, but their main field of operation was in the colonies. Business historians have labeled them "free-standing companies" (FSCs) (Gales and
p. 172
Sluyterman, 1998). This is similar to Great Britain and her colonies, although the ↳ British Empire was much larger and geographically more dispersed.[9] In 1913 there were about 632 Dutch FSCs (Sluyterman, 1998: 40). Although part of the Kingdom of the Netherlands, the political, social, and legal conditions in the colonies differed markedly, and this may have stimulated the formation of business groups (Sluyterman, 2005). We can call them "colonial business groups." However, decolonization after the Second World War forced these companies to adapt their strategy and structure and find new markets. Thereafter the label "colonial business group" no longer applies.

It is imperative to note what is *not* included in our data. The Top 20 is a small part of the universe of large Dutch companies, because not all companies are listed on the stock exchange in the period 1903–2003. In addition, we use the criterion of total assets for company size, because this is available for the whole of the twentieth century and included in *Van Oss Effectenboek*. Because the assets of the financial firms (banks, investment companies, insurance firms) are of a completely different nature when compared to non-financial firms, we exclude the former from our data. Furthermore, the data does not include the hundreds of FSCs in the Dutch colonies, except for a few firms that were also important for the Dutch economy.

Van Oss Effectenboek only contains information on public corporations (in Dutch, Naamloze Vennootschap, abbreviated to NV) listed on the Amsterdam stock exchange. Until the early 1970s the listed companies included two types: those with widely held shares ("open corporations") and closely held shares ("closed corporations"). The latter were mostly family businesses and, although listed, their shares were not actively traded, because the family owners did not accept any foreign influence. In 1970 the Dutch government introduced a new law on annual company reports (Wet op de Jaarrekening van Ondernemingen), which no longer made a distinction between these two types of corporation. According to the old law (1928), the "open corporations" were obliged to disclose information on only twelve different items; the 1970 law increased this number to eighty for all listed corporations. Furthermore, the annual reports had to be certified by chartered accountants. The new law was the result of the First Directive (1968) of the EEC requiring all European corporations to publish their annual reports according to harmonized accounting standards. Because the First Directive did not recognize the existing difference between "open" and "closed" Dutch corporations, the government introduced a new legal entity in 1971 besides the NV: the Besloten Vennootschap (BV). These BVs do not publish annual reports and in general provide little financial and other information on their business activities. Many listed "closed corporations" decided to become a BV: between 1971 and 1974 about 43,000 Dutch NVs were restructured into BVs (Maijoor, 1990). The very large international retail company C&A, owned by the family Brenninkmeijer, is a well-known example. The BVs disappeared from the Amsterdam stock exchange and were also no longer included in the *Van Oss Effectenboek*. To trace potential business groups in these BVs, we used a different research method and other data (see Section 7.4).

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7.3.1 Business Groups in the List of Top-20 Enterprises in the Netherlands

Our data reveals 91 unique companies in the Top 20 for the selected benchmark years between 1903 and 2003. Some companies are present for only one benchmark year, while others appear more frequently. Several companies still exist, but many have disappeared because of mergers and acquisitions or were liquidated. The list includes well-known companies like Royal Dutch Shell, Unilever, Holland America Line (HAL), Heineken, AKZO Nobel, DSM, and Philips. It furthermore contains unfamiliar companies, like Deli Spoorweg-Maatschappij (a colonial railway company), Stoomvaart-Maatschappij Zeeland (shipping), and Wester Suikerraffinaderij (sugar refinery). Looking at their industrial classification, the Standaard Bedrijfsindeling (SBI, comparable to the Standard Industrial Classification or SIC), clearly reveals the dominance of product-focused enterprises in transport, trade, food, oil, and chemicals. Between 1903 and 2003 the dominance of transport and trade declined: the Top 20 becomes more varied in terms of the industries. In 1903 the Top 20 numbered thirteen companies in transport, and in 2003 just one. This reflects the declining importance of shipping and shipbuilding after the 1970s. Their place was occupied by companies in other sectors, such as construction, printing and publishing, and chemicals.

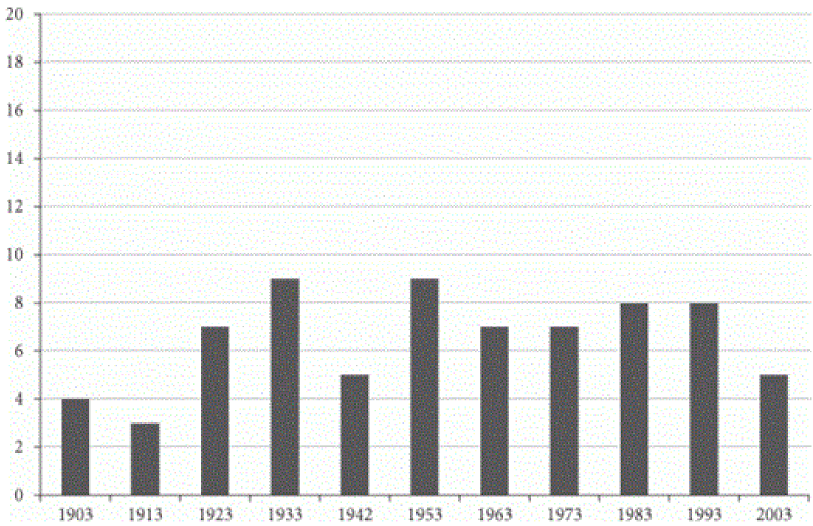
Bloemen et al. (2003) investigated how many manufacturing companies disappeared from the Top 100 in the years between 1913 and 1990 and how many were newcomers. They concluded that there was much dynamics, although the Top 10 was rather stable. Most dynamics concerned newly established smaller companies. Our data on manufacturing and service companies shows that on average 34.5 percent in the Top 20 were new in each benchmark year. The highest percentage was in 1942: 70. This was probably caused by the incompleteness of the *Van Oss Effectenboek* in that year, as well as by several very large companies, like Philips and Royal Dutch Shell, transferring their capital to the United States or other places before the beginning of World War II. A second shift occurred at the end of the twentieth century with the arrival of ICT companies and large media companies (Reed Elsevier, Wolters Kluwer) following mergers and acquisitions in the 1990s.

For each company in the Top 20 we determined whether it was a business group (of the hierarchy type) for the years it was in the Top 20 (see Appendix, this chapter).[10] It may well be that some companies were a business group before or after they were listed in the Top 20 in one of the benchmark years. Because the strategy, structure, and scope of companies change, certainly over the period of a hundred years, they may at one time be classified as a business group but in a later benchmark year perhaps better as a classic multinational corporation. Determining the subtype of the business group (diversified, holding, or pyramidal) for such a long time period is even more problematic.

p. 174 The Appendix presents an overview of the business groups in the Top 20 between 1903 and 2003. Of the 91 companies, 23 were identified as a business group at least once when they were in the Top 20. For several companies the information is too sparse to draw conclusions and they were conservatively classified as non-business groups. There are a number of companies whose classification is debatable. An example is Heineken, which because of its legal structure (a holding company) is often seen as a business group. In our view the holding only serves to protect the shares of the Heineken family to maintain control of their company, and we have thus decided to classify the company as a non-business group (Sluyterman and Bouwens, 2014: 380–1).

Figure 7.1 shows the number of business groups in the Netherlands for each benchmark year; on average there were 6.5 business groups in the Top 20. Their number increases until the 1930s, then declines, but recovers after the Second World War. Since the 1950s, however, the number of business groups in the Top 20 has slowly declined. The decline of business groups during the Second World War is perhaps related to fiscal measures taken by the German occupiers. Before the war double taxation was explicitly prevented in the Wet op de Dividend- en Tantièmebelasting (Law on Dividend and Royalty Tax) of 1917 by an article stipulating that taxes on dividends paid in a (fully or partially owned) subsidiary firm could be deducted from the tax bill (Schaafsma, 1946: 87). In April 1940—just before the beginning of the five-year occupation by the Germans—a new tax regime based on corporate profit taxes was introduced to replace dividend taxes. p. 175 Although the new regime also, and even with ↳ broader definition, prevented double taxation, in 1941 and 1942 the Nazis took several fiscal measures to discourage holding structures. In the Liquidatiebesluit (Liquidation Order) of 1941 firms could apply fiscally attractive arrangements to dismantle the holding structures (Schaafsma, 1946: 86). Subsequently, in the Besluiten Vennootschapsbelasting (Corporate Tax Order) of 1942 a strict ruling on exemptions for double taxation was introduced, i.e., only for 100-percent ownership, which was highly restrictive (Schaafsma, 1946: 88). In 1945 these rulings were reversed. Morck (2005) incorporates the Dutch case in an international overview on double taxation and also finds that this was not the case in the Netherlands in 1997 (Morck, 2005: 147).[11] Yet pyramids have rarely been seen in Netherlands, even after the war, as the country allows for other control-enhancing mechanisms such as certificates and "golden shares," which make the use of pyramidal structures unnecessary (De Jong and Röell, 2005). Certificates are constructions where a trust office (administratiekantoor) owns the shares of the company and issues non-voting certificates to financiers. As the management of the trust office normally acts in the interest of firm management, an effective device against shareholder influence and hostile takeovers is created. These certificates were initially created to enhance the liquidity of shares, but were used from the 1930s increasingly as a control-enhancing mechanism (Westerhuis and De Jong, 2015). "Golden shares" were not only used by private companies, but also by the Dutch government to protect wholly or partly state-owned enterprises against hostile takeovers. This was particularly the case with economically important and politically strategic companies, including mining (DSM), metallurgy (Hoogovens), electricity companies, the postal services (PTT), defense, and transport (KLM). In the Netherlands these specific measures were implemented in laws, such as the Elektriciteitswet (1998, concerning electricity companies) or the Mijnwet Continentaal Plat (1965, Mining Continental Shelf in the North Sea), and included in company statutes. Other EU countries like Portugal, France, and Belgium used similar instruments. The Treaty of Rome (1957), when the EEC (later EU) was founded, opposed these measures, because they severely hindered the free flow of capital across borders (Article 58). Certificates and "golden shares" were very effective instruments and as such we found no such pyramidal business group in the list of our enterprises in the Appendix.

Figure 7.1.

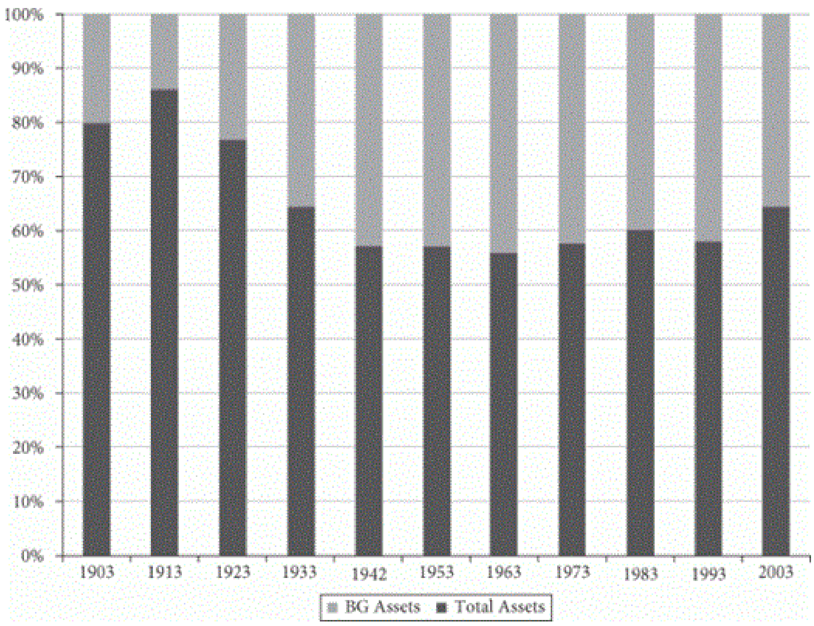


Number of business groups in the top 20 (1903–2003).
Note: Business groups considered here are the hierarchy-type business groups covering diversified and holding type of groups.

Source: own dataset based on Van Oss Effectenboek.

Figure 7.2 shows the share of the assets of business groups (of the diversified and holding-type variety) in the total assets of all Top-20 companies. Despite the small number of business groups for each benchmark year, the share of assets in total assets is rather large. This is related to the inclusion of several capital intensive companies like Royal Dutch Shell, Unilever, Philips, and AKZO Nobel. The share of assets of business groups increases until the 1960s, but then declines slowly.

Figure 7.2.



Share of business group assets in total assets of the top 20 (1903–2003).
Note: Business groups considered here are the hierarchy-type business groups covering diversified and holding type of groups.

Source: own dataset based on Van Oss Effectenboek.

Classifications and typologies work best on paper, but in the real world "pure types" are much harder to
p. 176 find. The typology of business groups devised by Colpan and ↳ Hikino consists of a large number of variables: ownership, control unit, top management, and administrative control, operating units, growth patterns, and product portfolios. While on some variables firms at some time may resemble a multidivisional enterprise or conglomerate with internal divisions, on other variables they appear as a business group. This is not surprising. Big companies were mostly also multinationals, and although originating in mature Western economies, had to cope with a variety of business environments, markets, and institutional settings, requiring flexibility and ingenuity with regard to organizational forms, management, and strategy. In certain environments they more resembled a classic multinational enterprise, but in others took on the form of a business group. This certainly applies to companies like Royal Dutch Shell, Unilever, Philips, and AKZO Nobel.

It becomes even more difficult to apply a strict typology of types of business groups when we consider the many political, economic, and social changes that occurred during the period 1903–2003. Modern company histories written by business historians clearly exemplify when, why, and how big businesses responded to changes. These studies, however, seldom present sufficient and reliable data on all variables to distinguish
p. 177 (sub)types of business groups for a period covering a century. As already ↳ explained, before 1991 reliable information on shareholders of listed companies is almost absent. Keeping these observations in mind, we have further classified the twenty-three business groups in subtypes (see Table 7.1). Most business groups were diversified in unrelated industries, the majority of these with strong family connections. Because we have excluded the financials, bank-centered business groups are absent, except for the NHM that by 1903 had become a bank. Our sample does not contain a pyramidal business group, partly because we have excluded the financial companies. The total number of types in Table 7.1 of business groups is higher than twenty-three because some companies changed their outlook between 1903 and 2003 and were accordingly reclassified. A number of diversified business groups could not be classified in one of the subtypes—family-owned, bank-centered, or state-owned—because of lack of reliable information.

Table 7.1. Business groups in the largest enterprises between 1913 and 2003: types and subtypes.

Type	Number of enterprises
Diversified:	20
Bank-centered	*1*
Family-owned	*7*
State-owned	*0*
Cannot be classified	*12*
Holding	9
Pyramidal	0

Source: own Dataset based on *Van Oss Effectenboek*.

Our overview of business groups (of the hierarchy-variety, as discussed earlier) demonstrates that their number is smaller than other scholars have assumed, but their prevalence in big business in the Netherlands is nevertheless clear. Most business groups trace their origin to the late nineteenth century, but it took several years or decades before they became a business group.

7.3.2 Case Studies

In contrast to Great Britain, it is not possible to distinguish between unrelated diversified international/colonial business groups and more focused business groups in the home market. From the 1870s we can identify the beginning of some unrelated diversified business groups in the Dutch colonies, mainly the Dutch East Indies. Several trading companies invested in plantations (coffee, tea, sugar), factories, and shipping, and offered some financial services. After the 1890s new industrial companies were
p. 178
started in the Netherlands. These were initially typical single-product firms (oil, ↳ margarine, light bulbs), but given the relatively small size of the Dutch home market they soon expanded internationally in related and unrelated business activities and some eventually formed a business group. The decolonization of Indonesia in 1949 forced the colonial business groups to restructure and adapt their business strategy. Many decided to focus on the Netherlands, but further expansion in the 1960s and 1970s was again international.

7.3.2.1 NHM: A Bank-Centered Business Group

The second largest company in 1903 was the Nederlandsche Handel-Maatschappij (NHM, or Dutch Trading Company). The NHM remained a very large company and developed mostly into a bank-centered business group from a trading-company-based origin.[12] The NHM disappears from the Top 20 after 1903 because it is reclassified as a financial institution and our data does not include that type of company.

The NHM was founded in 1824 to stimulate the Dutch economy by increasing trade in the Netherlands (until 1830 including Belgium) and the Dutch East Indies and West Indies (Jonker and Sluyterman, 2000; De Graaf, 2012). From the beginning the NHM developed a close relationship with several Dutch shipping companies, owning shares in Koninklijke West-Indische Maildienst (KWIM, 1882), the Koninklijke Paketvaart Maatschappij (KPM, 1888), the Java-China-Japan Lijn (JCJL, 1902), and a seaport (Zeehaven en Kolenstation Sabang). In the East Indies, the NHM was mainly a trader in the beginning, besides acting as sole agent for the Dutch government. From the 1860s, the NHM lost its privileged position when the market in the Dutch East Indies was further liberalized. The NHM not only diversified in terms of its business activities, but in addition expanded geographically by opening agencies in Singapore, Japan, and the United States. Some of these proved successful, at least for a while, but others failed after a short period (De Goey, 2013). As one of the largest companies in the East Indies, the NHM provided several financial services to other Dutch companies, although the company charter did not allow pure banking activities until it was adapted in 1874. Thereafter banking gradually became more important, while trading activities were reduced. In the 1870s the NHM invested in the oil business and mining companies, including coal, bauxite, and gold. It also participated in a distillery, an indigo factory, and two tobacco factories, but most of these investments were discontinued in the early 1880s. More profitable were investments in tobacco and coffee plantations. The NHM developed its own plantations, besides participating in others, either directly by buying shares or indirectly through a hypothecation ("relatie maatschappijen"). Through this system the NHM attained the characteristics close to a network-type business group. The NHM also invested in the Dutch West Indies, particularly Surinam. These investments included plantations, a sugar refinery, and exploration to mine gold, but this venture was stopped after five years.

 The NHM shifted its strategy in response to conditions on world markets. After 1900 the coffee plantations were terminated and replaced by investments in natural rubber and tea, but mainly sugar plantations and sugar refineries (see Table 7.2).

Table 7.2. NHM enterprises in 1902 and 1916.

	NHM owned		Related through hypothecation		Total	
	Sugar	**Other products**	**Sugar**	**Other products**	**Sugar**	**Other products**
1902	14	3	22	7	36	10
1916	16	0	23	46	39	46

Source: De Bree (1918): 421.

In the early twentieth century the NHM was a trader (on its own account, for the Dutch state and other private companies), a general merchant bank, and an investment bank, besides owning a number of plantations and factories, mainly in the Dutch East Indies. After the First World War, however, the NHM became a major bank and participated in the establishment of many new companies, including Hoogovens (iron and steel) and Royal Dutch Airlines (KLM), Holland-Zuid-Afrika Lijn (shipping), and a dry-dock company in Amsterdam (Amsterdamse Droogdok Maatschappij). During the economic crisis of the 1930s the NHM was forced to restructure its business, particularly because of heavy losses in the East Indies. From 1935 the NHM expanded its banking activities in the Netherlands and developed a new activity—insurance.

The independence of Indonesia in 1949, and more importantly the nationalization of all Dutch property after 1956, meant that the NHM lost most of its banking activities, plantations, and factories there. The financial loss was about 134 million guilders, but only 19.5 million guilders was compensated by the Indonesian government. From the 1960s the NHM focused primarily on further developing its banking activities in the Netherlands and other areas, including Pakistan, Saudi Arabia, the United States, Uruguay, and Brazil. In June 1964 the NHM merged with the Twentsche Bank to form Algemene Bank Nederland (ABN). A week later two other Dutch banks announced their merger: the Amsterdamsche Bank and Rotterdamsche Bank became AMRO. In 1991 ABN and AMRO merged.

7.3.2.2 Internatio (Internatio-Müller): A Trading-Company-Centered Business Group

The Internationale Crediet- en Handelsvereeniging "Rotterdam," better known as Internatio, started in 1863 as an import and export business located in Rotterdam. According to its original charter, Internatio was to work as a trader, shipping company, and bank, and invest in agriculture (plantations) (Mees, 1939). In the beginning Internatio appointed agents to trade with British India, China, Japan, and Chile, but this business was stopped because of financial losses, and from 1865 Internatio focused ↳ mainly on the Dutch

East Indies. Besides trading, Internatio invested in coffee, tobacco, sugar plantations, and several factories. At the turn of the twentieth century Internatio had become one of the largest companies in the Dutch East Indies. Increasingly Internatio felt the competition from foreign producers (e.g., Japan). During the crisis of 1920–1 several trading houses in the Dutch East Indies went out of business, but Internatio survived thanks to its large hidden reserves amassed during the war. In the 1920s Internatio further diversified, investing in several manufacturing companies: paper, sugar, textile, cigars, and heat-resistant materials. In all these joint ventures Internatio handled distribution and sales.

The decolonization of Indonesia, and particularly the nationalization of Dutch property in 1956, forced Internatio to reorient its business activities. Besides a stronger focus on the Netherlands and Europe, this included Australia, Africa, and South America. After 1955 it acquired a number of Dutch companies specialized in engineering and technical services. In 1960s Internatio continued to diversify by investing in factories producing metal wares, industrial gasses, lead, and tin products.

In 1970 Internatio merged with Wm. H. Müller & Co. (founded in 1878), itself a diversified business group in mining, trade, stevedoring, transport, and shipping. In 1972 Internatio-Müller had about 14,500 employees, mostly in Europe, and turnover was 2,100 million Dutch guilders. The main area of investment was Europe (88 percent), the remainder being in the United States (6 percent) and Australia (5 percent). Its diversified activities allowed Internatio-Müller to weather the economic crisis of the 1970s. According to Sluyterman, the spread in activities "did enable losses in one sector to be compensated by the profits of another" (Sluyterman, 1998: 193). In 1990 Internatio-Müller consisted of about a hundred companies in a variety of industrial sectors. Three years later about thirty-five technology and engineering subsidiaries were regrouped in a new company called Imtech. Internatio-Müller next sold all port-related activities (originally owned by Wm. H. Müller & Co.) and the distribution of pharmaceuticals. The remaining chemical and agribusiness subsidiaries were regrouped in a new company: Internatio-Müller Chemical Distribution (IMCD). This company was sold in 2003.

After 2001 Internatio-Müller was no longer listed on the Amsterdam stock exchange but replaced by Imtech. Between 2001 and 2010 Imtech acquired about fifty-five European technology and engineering companies (IMTECH, 2010). Imtech, since 2012 called Royal Imtech, had become a large business group with about 23,000 employees and an annual turnover in 2010 of 4 billion euros. However, the very rapid expansion, several failed investments, and the rising costs of projects in Germany and Poland forced a reshuffling of the board of directors and a restructuring of the company in 2014. In early August 2015 the company filed for bankruptcy. The holding was quickly dismantled, while the receiver looked for potential buyers of the many independent subsidiaries. After August 14, 2015, Imtech was no longer listed on the Amsterdam stock exchange.

Our dataset on listed big companies includes several other diversified business groups, besides NHM and

Internatio, such as Wm. H. Müller & Co. (until the merger ↳ with Internatio). In some of these business groups family owners were important, like R. S. Stokvis & Zonen (general merchants and manufacturers), Machinefabriek Gebr. Stork & Co. (machinery), and Phs. Van Ommeren Scheepvaartbedrijf (shipping). Several business groups started or were closely related to the Dutch colonies, notably the Dutch East Indies: Royal Dutch Shell, Handelsvereeniging Amsterdam, and Borneo Sumatra Handel Maatschappij (Borsumij). These colonial business groups often started as trading firms, but because of the specific conditions in the colonies diversified their business. Others, including many companies in transport and shipping besides manufacturing, were largely active in the Netherlands and other Western countries, like Unilever, Philips, Rijn Schelde Verolme, Koninklijke Pakhoed, and Koninklijke Nedlloyd Group. They expanded internationally through direct investments (FDI) and mergers and acquisitions.

7.4 Closely Held Family Business Groups

In this section we discuss closely held family business groups. According to Masulis et al. (2011), Dutch family business groups are either horizontally or pyramidally structured. In horizontal groups the family directly or through a holding controls the equity of group firms. Limiting their research to listed firms in the year 2002, Masulis et al. find only five family business groups out of a sample of 183 listed Dutch firms (their total dataset consists of 28,635 firms in 45 countries). Of these five family business groups, two were horizontal and three pyramidal (Masulis, Kien Pham, and Zein, 2011: 3569–70).

Family business groups exist in mature and emerging markets and often have a long history. Their origin is frequently related to the family firm they once owned. After selling the family firm, they used the proceeds to invest in other companies, often through a holding at the apex. The closely held family business groups in the Netherlands are indeed usually organized as holdings, making it difficult to get a good overview of their investment strategy, legal structure, and management (see Table 7.3). The business group allowed the families to spread risks, acquire knowledge and managerial experience, and try out new product or geographical markets. The group structure in addition facilitated the financing of new investments. Not all family business groups are listed on the stock exchange. As we have previously discussed, after 1971 many listed Dutch family firms opted to restructure as a BV to avoid outsider influence. Unfortunately, no information is available covering the whole period 1903–2003. To trace some of these large family business groups we have used the Dutch magazine *Quote*. Each year it publishes a list of the 500 wealthiest Dutch individuals and since 2013 also the 50 wealthiest families. In Table 7.3 we list the ten wealthiest Dutch families and their business activities in 2014.[13]

Table 7.3. Top 10 wealthiest families in the Netherlands, 2014.

Rank	Family (or families)	Core entity	Original sector(s)	Estimated wealth	Business group*
1	Brenninkmeijer	C&A (1841); Cofra Holding	Confection retail	€22 b	Yes
2	Van der Vorm	HAL (1873 sold in 1988); HAL Trust (investment fund)	Shipping, investment fund	€6.2 b	Yes
3	De Rijcke	Kruidvat (1975, sold in 2002); De Hoge Dennen (investment fund)	Retail, cosmetics, toys	€1.9 b	Yes
4	Dreesman	V&D (1887); Commonwealth Investments (investment fund)	Retail	€1.6 b	Yes
5	Van Oord	Van Oord (1868)	Dredging, off-shore, marine engineering	€940 m	Yes
6	Van Oranje-Nassau	(Royal family)		€900 m	N.a.
7	De Pont	AGAM (1956); Janivo Holding (c. 1985) (investment fund)	Automobiles retail	€800 m	Yes
8	De Heus	Royal De Heus (1911)	Compound feed (animal feed)	€700 m	Yes
9	Salzer Levi, Drake and Mayer Wolf	Nidera (1920); Nidera Capital (investment fund); majority shares sold in 2014 to Cofco (China)	agricultural commodities (oilseeds, grains and biofuels), producer of seeds and crop protection products	€600 m	Unknown
10	Van den Broek	Van den Broek (1942)	Food retail, self service	€580 m	Yes

Source: *Quote* magazine (2014): 262–74.

* This covers all types of hierarchical business groups.

p. 182 The wealthiest family in 2014 is the Brenninkmeijer family, the founders and owners of the C&A retail company. C&A is notorious for a lack of disclosure and does not, for example, provide revenue information for the C&A stores. The main headquarters is located in Zug (Switzerland) and the holding company of the legally independent, privately owned firms since 2001 is Cofra Holding AG Group (retail, real estate, private equity, and financial services). For this family business it turns out not to be feasible to describe its holding structure and affiliated firms. Undoubtedly the family holdings qualify as a diversified business group, because of the holding structure and unrelated-diversified activities. Some of these family-owned holding companies started in the late nineteenth century, but others acquired their capital more recently after the sale of their ↳ family business. The notable exception in Table 7.3 is no. 6, the Dutch royal family, where
p. 183 *Quote* estimates its wealth to be in real estate, art, and investments. The families in Table 7.3 typically control their assets via investment funds (holdings) and must be classified as unrelated-diversified business groups.

7.4.1 Case Studies

7.4.1.1 HAL Trust and the Van der Vorm Family

The second wealthiest family in 2014 mentioned by *Quote* is that of Van der Vorm. Willem van der Vorm (1873–1975) was an employee of the American Petroleum Company (APC), a subsidiary of Standard Oil (Esso). APC was founded in 1891 in Rotterdam to sell petroleum in the Netherlands and Belgium. In 1896 APC established the Scheepvaart & Steenkolen Maatschappij (SSM) to sell British coal. It competed fiercely with the dominant coal trader SHV (see Section 7.4.1.2). In 1905 Van der Vorm bought a number of SSM shares and was appointed director. He kept this position until 1944, although APC sold SSM to SHV in 1928. However, the takeover was kept secret for many years to maintain the illusion of two competing companies. Van der Vorm, while still director of SSM, invested in a large number of companies: Argolanda (1926, general trading company), Spoorijzer (1927, rail wagons), and Scheepvaart Maatschappij Frederika (*c.*1930, shipping). To these were later added various other non-related businesses: Mennens & Company (rope), Nederlandse Gasmaatschappij (gas), Nederlandse Fotografische Industrie (photography), Holland-Electro N.V. (consumer electronics), and Apparatenfabriek Thermion (light bulbs). In Sumatra (Dutch East Indies), Van der Vorm in addition owned a tea plantation until it was handed over to the Indonesian government in the 1950s.

Van der Vorm made perhaps his most important investment in 1933. He participated in a financial syndicate to save the Holland America Line (HAL, 1873) from bankruptcy. After the Second World War, HAL became a typical diversified company with interests in shipping, stevedoring, and tourism. In 1971 the freight division was sold and it ceased operating a regular passenger service from the Netherlands to the USA, leaving only the tourism division, including cruise ships, hotels, and tour operators. Furthermore, the headquarters of HAL was moved from Rotterdam to Seattle (USA).

In 1988 the Van der Vorm family sold the cruise business for approximately 1.4 billion Dutch guilders to the American company Carnival Cruise Lines (De Goey, 2005). The revenues were largely invested in the exchange-listed company HAL Trust, itself a subsidiary of HAL Holding, registered in Curaçao (Netherlands Antilles). Although it is generally assumed that members of the Van der Vorm family hold a majority of the
p. 184 shares, the only two disclosed shareholders are First Eagle Investment ↳ (mutual fund, 0.82 percent) and Invesco (0.29 percent). The strategy of HAL is "focused on acquiring significant shareholdings in companies, with the objective of increasing long-term shareholder value." When selecting investment candidates, HAL emphasizes, in addition to investment and return criteria, the potential of playing an active role as a shareholder and/or board member. HAL does not confine itself to particular industries.[14] HAL Trust owns three subsidiaries: holdings that invest in domestic and foreign companies in a variety of sectors (including transport and shipping, optics, orthopedic devices, media, hearing aids, credit management, insurance). Many of the domestic companies have a long history, like Royal VOPAK, Royal Boskalis Westminster, and SBM Offshore. In 2014 HAL also became the sole owner of the Dutch design furniture maker Gispen. Although HAL selects its investments with the potential of playing an active role as shareholder, the subsidiaries remain relatively independent. HAL has opted for a "decentralized management approach," with each company remaining "responsible for evaluating and managing its own risks" (HAL Trust, 2014: 17).

7.4.1.2 SHV and the Fentener van Vlissingen Family

The Dutch family of Fentener van Vlissingen owns the Steenkolen Handels-Vereniging (SHV: Coal Trading Company). The asset size of SHV Holdings in 2012, numbering 565 domestic and foreign subsidiaries, was 4 billion euros. After the death in 2006 of brothers Paul and Frits Fentener van Vlissingen, the shares were divided among their children. SHV is a diversified business group with a technologically unrelated portfolio, but through the wholly owned NPM Capital, a Dutch investment bank, in 2000 it also attained the characteristics of a bank-centered business group.

SHV was founded in 1896 in Utrecht by seven Dutch coal traders; the shares were non-tradable and remained in the hands of the participating families, although the company was legally structured as a corporation. Two families played a major role in the history of SHV: Fentener van Vlissingen and Van Beuningen (Van Wijnen, 2004; Van der Zwan, 2006). In the head office in Utrecht, F. H. Fentener van Vlissingen (1882–1962), son of the founder, was the main figure between 1911 and 1945, while D. G. van Beuningen, son of another founder, was director of the Rotterdam office from 1902 until 1941. In 1954 the families split and SHV was managed by the Fentener van Vlissingen family. Until the early 1970s it was a typical "closed corporation" (see Section 7.3) and thereafter became a BV to exclude control by outsiders (Wennekes, 1993). Throughout its history SHV disclosed very little information about investments, structure, and business strategy. Newly acquired companies were given very general names, making it hard to link them to SHV.

In 1896 SHV secured a monopoly from the Rheinisch-Westfälisches Kohlen-Syndikat (RWKS, 1893) to trade p. 185 German coal in the Netherlands. The major competitors were ↳ SSM, managed by Willem van der Vorm (see Section 7.4.1.1) and after 1902 the NV Staatsmijnen (DSM, Dutch State Mines). Besides trading in coal, SHV supplied bunker coal to ships in the ports of Rotterdam and Amsterdam. To handle the large supplies of coal, SHV used technologically modern stevedoring firms and owned a large fleet of Rhine barges. The barges were operated through two legally independent companies: the Nederlandsche Transport-Maatschappij and the Nederlandsche Rijnvaart-Vereeniging (NRV). To supply the Rhine barges, SHV also established the NV Rotterdamsche Victualiënhandel, later renamed NV Handelscompagnie. SHV not only traded in coal, but additionally in petroleum and Liquefied Petroleum Gas (LPG). In cooperation with Standard Oil (Esso), it established the Trading Oil Service with storage facilities in Rotterdam, Flushing, and Antwerp. A new activity after 1938 was fish flour. SHV bought a number of companies to produce fish flour that were combined in Vereenigde Exploitatie Maatschappij (VEM). SHV also invested in phosphate factories, shipyards and towage services, electricity, the KLM (Royal Dutch Airlines), Fokker (airplane manufacturer), iron and steel (Hoogovens), and artificial fibers (ENKA, later AKZO Nobel). Several of these investments were financed through its own subsidiary, Administratiekantoor Unitas.

After the Second World War the two Rhine-barge companies merged in the NRV, making it the world's largest inland-waterway shipping company. SHV and Caltex established a joint venture, called Calpam, for the sale of fuel oil in the Netherlands, Belgium, Luxembourg, and Denmark. This signaled a shift from traditional interests in solid fuels (coal) to liquid fuels (oil); from 1963 SHV started trading in Liquefied Petroleum Gas (LPG) through its subsidiary Dyas. It constructed storage tanks in Dutch ports managed by its subsidiary the Nederlandse Opslag Maatschappij (NOM). SHV diversified still further by investing in a number of fitters and engineering firms. These companies merged in 1970 to form Groep Technische Installatie (GTI). GTI was sold to the Belgian company Fabricom in 2002. From 1968 SHV developed a self-service wholesale grocery business called Makro, with shops in the Netherlands and several foreign countries including South Africa. This was followed by other Dutch retail businesses like Xenos and Kijkshop. By the early twenty-first century SHV had become a very large unrelated-diversified business group. According to Van der Zwan, in 2004 turnover was 13.7 billion euros and profit was 317 million euros. It employed about 30,000 people all over the world (Van der Zwan, 2006: 384).

7.5 Concluding Remarks

Our research into Dutch business groups for the period 1903–2003 is exploratory and introductory because, as noted earlier, we lack important data for most of our period and existing research is scarce. Furthermore, our analysis is primarily based on the Top 20 (based on assets) enterprises in the country for a number of
p. 186 benchmark years. The ↳ Top 20 includes only listed companies, but excludes listed financial companies (banks, insurance, and investment companies). Because of these limitations we have added a section on family-owned business groups that are non-listed. Our concluding remarks are based on this sample of companies, although we add some more general tentative conclusions. (The current—2015—status of the most important business groups mentioned in the text is listed in Table 7.4.)

Table 7.4. Current standing of Dutch Business Groups (as of 2015).

Group Name	Standing in 2015
Nederlandsche Handel-Maatschappij (NHM)	Is now ABN AMRO
Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indie (Royal Dutch Shell)	Royal Dutch Shell
Handelsvereeniging Amsterdam	No longer exists
Internationale Crediet- en Handels-Vereeniging Rotterdam (Internatio, after 1970: Internatio-Müller)	Is now IMTECH
Wm. H. Muller & Co. Algemeene Mijnbouw-Maatschappij (after 1970: Internatio-Müller)	Is now IMTECH
Anton Jurgens' Vereenigde Fabrieken(Unilever)	Unilever
Van den Bergh's fabrieken (Van den Bergh's en Jurgens' Fabrieken) (Unilever)	Unilever
Hollandsche Vereniging tot Exploitatie van Margarinefabrieken(Hovema) (Unilever)	Unilever
R.S. Stokvis & Zonen Limited	No longer exists except as trade mark
Unilever (Lever brothers & Unilever)	Unilever
Philips Gloeilampenfabrieken	Philips
Algemeene Kunstzijde Unie (AKU) (AKZO) (AKZO Nobel)	Is now AKZO Nobel
Machinefabriek Gebr. Stork & Co.	Still exists, different name
Phs. van Ommeren's Scheepvaartbedrijf	Still exists, different name: VOPAK
Borneo Sumatra Handel Maatschappij (Borsumij)	Sold to Hagemeyer, since 2008 owned by Rexel (French company)
Koninklijke Zwanenburg-Organon	No longer exists under this name
DSM	Still exists
Rijn Schelde Verolme (RSV)	Liquidated
Ogem	Liquidated
Koninklijke Pakhoed	Is now VOPAK (see Phs. van Ommeren's Scheepvaartbedrijf, above)
Koninklijke Nedlloyd Groep	Sold to Maersk (Denmark) in 2005
Koninklijke Bols-Wessanen	Still exists called Royal Wessanen NV
Hagemeyer	Sold to Rexel (French company) in 2008

Source: own data; company websites; published company histories; *Gale Directory of Business Histories*.

p. 187 Business groups existed in the Netherlands from at least the late nineteenth century and still existed at the beginning of the twenty-first century. However, this structure has never been and currently is not the dominant business form in the large enterprise economy of the country. The total number of business groups in the Top 20 increased until the 1950s, but then declined. The share of assets of business groups in the total assets of the Top 20 likewise increased until the 1910s, but then dropped to about 60 percent. This is mainly the result of classifying some of the largest companies in the Netherlands as a variety of business group (e.g. Royal Dutch Shell, Unilever, and Philips). These companies are all highly capital-intensive.

This, however, is not the total number of business groups in the Netherlands in the period 1903–2003. As Section 7.4 shows, there are large family-owned business groups that are not listed. They use the business group organizational model to invest family capital in other companies. The case studies highlight the strategy and structure of some of these family-owned business groups. Given the dominance of family firms in the Dutch economy during the twentieth century, there are probably more family-owned business groups. Nevertheless, the huge number of business groups mentioned in some of the existing studies are, in our view, caused by an unrestrictive definition. This conclusion is interesting for two reasons. First, Dutch business historians and other researchers have paid little attention to this organizational form, despite its relative importance to the Dutch economy, and this calls for additional research. Second, while in many other countries the business group structure is either virtually absent (as in mature economies) or dominant (in emerging economies), this does not apply to the Dutch setting, at least since the early twentieth century.

What explains the rather moderate importance of business groups in the Netherlands? We have found no evidence of financial, legal, societal, or political developments that hindered their formation. There were also few factors that would strongly favor the formation of business groups, including an unstable political climate or highly volatile capital markets, neither of which was the case in the Netherlands during the twentieth century. Apparently, Dutch companies could choose freely between the business-group form and many alternatives. The latter include the use of various forms of cooperation; the widespread use of cartels, particularly, is well known in the Netherlands (Bouwens and Dankers, 2010). Our case studies also demonstrate that mainly firm-specific micro-level explanations determine why, when, and how business groups develop. These historical or idiosyncratic explanations offer no generalizations, but they do point towards the many specific factors contributing to the development of business groups in the Netherlands. It is an intriguing challenge for future research to disentangle firm-specific motivations among Dutch firms for the choice of organizational forms, including the business group.

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Appendix Business groups in largest enterprises between 1903 and 2003

Compiled from the Top 20 enterprises in 1903, 1913, 1923, 1933, 1942, 1953, 1963, 1973, 1983, 1993, and 2003.

Business groups in italic.

	Company name	SBI[1]	Number of times in Top 20	Diversified BG	Holding BG	Pyramidal BG
				Subtypes:		
				- Family-owned (F)		
				- State-owned (S)		
				- Bank-centered (B)		
1	Maatschappij tot Exploitatie van Staatsspoorwegen (SS)	30	2			
2	*Nederlandsche Handel-Maatschappij (NHM)*	28	1	X (B)		
3	Nederlandsch-Indische Spoorweg-Maatschappij	30	3			
4	Dordtsche Petroleum Industrie-Maatschappij	12	1			
5	Nederlandsche Centraal Spoorweg-Maatschappij	30	2			
6	Koninklijke Paketvaartmaatschappij (KPM)	30	6			
7	*Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indie (Royal Dutch Shell)*	12	7	X	X (after 1907)	
8	Stoomvaart-Maatschappij Nederland (SMN)	30	6			
9	Noord-Brabantsch-Duitsche Spoorweg-Maatschappij Boxtel-Wesel	30	1			
10	Deli Spoorweg-Maatschappij	30	4			
11	*Handelsvereeniging Amsterdam*	39	5	X	X (after 1958)	
↳ 12	Samarang-Joana Stoomtram-Maatschappij	30	2			
13	Semarang-Cheribon Stoomtram-Maatschappij	30	4			

	↳ Company name	SBI	Number of times in Top 20	Diversified BG	Holding BG	Pyramidal BG
14	Petroleum-Maatschappij Moeara Enim	12	2			
15	Stoomvaart-Maatschappij Rotterdamsche Lloyd (RL) Koninklijke Rotterdamsche Lloyd (KRL)	30	5			
16	*Internationale Crediet- en Handels-Vereeniging Rotterdam (Internatio, after 1970: Internatio-Müller)*	28	7	X	X (after 1970)	
17	Petroleum Maatschappij Sumatra-Palembang	12	1			
18	Stoomvaart-Maatschappij Zeeland (Koninklijke Nederlandsche Postvaart)	30	1			
19	Rotterdamsche Tramweg-Maatschappij (RTM)	30	2			
20	Madoera Stoomtram Maatschappij	30	2			
21	Nederlandsche Scheepvaart Unie (NSU)	30	5			
22	Nederlandsch-Amerikaansche Stoomvaart-Maatschappij (HAL)	30	4			
23	Koninklijke Nederlandsche Stoombootmaatschappij (KNSM)	30	4			
24	*Wm. H. Muller & Co. Algemeene Mijnbouw-Maatschappij (after 1970: Internatio-Müller)*	12	2	X	X (after 1970)	
25	Fransch-Hollandsche Oliefabrieken (Nouveaux Etablissements Calve-Delft)	13	2			
26	Hollandia Hollandsche Fabriek van Melkproducten en Voedingsmiddelen	13	1			
27	Nederlandsche Tramweg Maatschappij	30	1			
28	Wester-Suikerraffinaderij	13	1			
29	Hollandsche IJzeren Spoorweg- Maatschappij (HIJSM)	30	2			
30	*Anton Jurgens' Vereenigde Fabrieken(Unilever)*	13	2	X (F)		
31	*Van den Bergh's fabrieken (Van den Bergh's en Jurgens' Fabrieken) (Unilever)*	13	5	X (F)		
32	Deli Maatschappij	35	2			

33	Centrale Suiker Maatschappij	13	3		
34	Koninklijke Hollandsche Lloyd (KHL)	30	1		
35	*Hollandsche Vereniging tot Exploitatie van Margarinefabrieken(Hovema) (Unilever)*	13	2	X (F)	
36	*R.S. Stokvis & Zonen Limited*	28	1	X (F)	
37	*Unilever (Lever brothers & Unilever)*	28	8		X
38	*Philips Gloeilampenfabrieken*	22	7	X (F)	X
39	*Algemeene Kunstzijde Unie (AKU) (AKZO) (AKZO Nobel)*	18	8	X	
40	Dok en Werf Maatschappij Wilton-Fijenoord	23	2		
41	Koninklijke Maatschappij De Schelde (KMS)	23	2		
42	Rotterdamsche Droogdok Maatschappij	23	2		
43	Heineken's Bierbrouwerij Maatschappij	13	6		
44	Nederlandsche Scheepsbouw- Maatschappij (NSM)	23	1		
45	Vereenigde Koninklijke Papierenfabrieken der Firma van Gelder Zonen	16	4		
46	Werkspoor	23	1		
47	P. de Gruyter & Zoon	13	1		
↳ 48	Nederlandsche Gist en Spiritusfabriek	18	1		
49	*Machinefabriek Gebr. Stork & Co.*	22	5	X (F)	
50	Haagsche Tramweg-Maatschappij (HTM)	30	1		
51	Gemeenschappelijk Eigendom Maatschappij tot Exploitatie van Woon en Winkelhuizen	35	1		
52	Nederlandsche Kabelfabriek (NKF)	22	2		

53	Nederlandsche Dok Maatschappij (NDM)	23	1			
54	Koninklijke Nederlandsche Hoogovens en Staalfabrieken (KNHS)	20	4			
55	*Phs. van Ommeren's Scheepvaartbedrijf*	30	4		X (F)	
56	Koninklijke Java China Paketvaartlijnen	30	2			
57	*Borneo Sumatra Handel Maatschappij (Borsumij)*	28	1		X	
58	Koninklijke Luchtvaart Maatschappij (KLM)	30	5			
59	Exploitatie Maatschappij Scheveningen (EMS)	40	1			
60	Koninklijke Zout-Ketjen	13	1			
61	Koninklijke Nederlandse Vliegtuigenfabriek (Fokker)	23	2			
62	*Koninklijke Zwanenburg-Organon*	13	1		X	
63	Koninklijke Nijverdal Ten Cate	14	1			
64	*DSM*	18	3		X	X (after 1973)
65	*Rijn Schelde Verolme (RSV)*	23	1			X
66	*Ogem*	25	1			X
67	Koninklijke Boskalis Westminster	26	2			
68	*Koninklijke Pakhoed*	39	3		X	
69	Verenigde Bedrijven Nederhorst	26	1			
70	Bührmann-Tetterode	16	2			
71	Koninklijke Ahold	29	4			
↳ 72	Koninklijke Gist-Brocades	18	3			
73	*Koninklijke Nedlloyd Groep*	30	2		X	

74	Hollandsche Beton Groep	26	2	
75	Koninklijke Volker Stevin	26	1	
76	Océ-van der Grinten	18	3	
77	Ballast Nedam	26	1	
78	Koninklijke KNP BT (merged with Bührmann-Tetterode in 1993)	16	1	
79	PolyGram	40	1	
80	Elsevier	17	1	
81	*Koninklijke Bols-Wessanen*	13	1	X
82	Koninklijke KPN	32	1	
83	VNU	17	1	
84	TPG	32	1	
85	Reed Elsevier	17	1	
86	Wolters Kluwer	17	1	
87	Buhrmann	37	1	
88	Koninklijke BAM Groep	26	1	
89	ASM Lithography Holding	22	1	
90	*Hagemeyer*	28	1	X
91	Vedior	39	1	

[1] SBI (Standaard Bedrijfsindeling) is the Dutch version of the international Standard Industrial Classification (SIC).

Source: own dataset based on *Van Oss Effectenboek*.

Notes

1 The coverage of this chapter encompasses diversified (and mostly family-owned) business groups and holding-company-type groups that have been active within the Dutch economy, as well as diversified business groups centered around trading companies active overseas.

2 Netherlands Statistics uses the following definition of an enterprise group: "An association of enterprises bound together by legal and/or financial links. Explanation: A group of enterprises can have more than one decision-making center, especially for policy on production, sales and profit. It may centralize certain aspects of financial management and taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises." The number of enterprise groups included Dutch business groups active in the Netherlands and foreign countries, but also foreign business groups in the Netherlands and other countries. See https://www.cbs.nl/en-gb/our-services/methods/definitions?tab=e#id=enterprise-group (last accessed May 27, 2015).

3 http://statline.cbs.nl/StatWeb/publication/?VW=T&DM=SLNL&PA=80262ned&D1=0&D2=a&D3=a&D4=10-12&HD=140225-0923&HDR=T,G1&STB=G2,G3 (last accessed May 27, 2015).

4 This definition is based on Almeida and Wolfenzon (2006a).

5 See the contribution of Colpan and Hikino in this volume.

6 Founded in 1822 by King William I. After the separation of Belgium in 1830 it functioned as the Belgian national bank until 1850 when de Nationale Bank van België (National Bank of Belgium) was established.

7 The year 1942—rather than 1943—is selected because until then the effect of the German occupation on the Dutch economy was still relatively small, but thereafter German exploitation of the economy increased.

8 The data in *Van Oss Effectenboek* is not complete. For some benchmark years no information was available for several companies, including Royal Dutch Shell in 1913 and 1923.

9 See Geoffrey Jones, this volume.

10 We would like to thank Prof. Dr. K. E. Sluyterman for her comments and help.

11 Morck (2005) demonstrated that out of thirty-three countries in his study only the US levies an effective tax on intercorporate dividends, of 7 percent. He argues that this taxation is detrimental to the occurrence of business groups in the US.

12 De Graaf (2012): Appendix 2 (on the CD-ROM in the book) contains an overview of all known affiliates, participations, and takeovers of the NHM until 1964.

13 *Quote* magazine, "Quote 500" (2014).

14 http://www.halinvestments.nl/