

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---

## National Cultures and International Competition The Experience of Schering AG, 1851–1950

This book is first and foremost a history of Schering AG, one of Germany's best known pharmaceutical companies, from its birth as a pharmacy in the middle of the nineteenth century to the first steps of its rebirth as a multinational in 1950. The book traces the various stages of Schering's development, its relationships to other chemical companies, its government, its bankers and other shareholders. As the title implies, the book also tries to put this history in the context of Schering's changing – and for the most part increasingly hostile – political, social, and economic environment, which formed the context for the company's efforts to organize its personnel, develop its research and production capacity, and to internationalize its business. The author argues that the evolution of Germany's system of corporate governance did not keep up with that country's ability to make technical innovations and actually hindered Germany's ability to respond to the business challenges following World War 1.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

# National Cultures and International Competition

The Experience of Schering AG,  
1851–1950

---

CHRISTOPHER KOBRAK



Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

**CAMBRIDGE**  
UNIVERSITY PRESS

32 Avenue of the Americas, New York NY 10013-2473, USA

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

[www.cambridge.org](http://www.cambridge.org)

Information on this title: [www.cambridge.org/9780521814812](http://www.cambridge.org/9780521814812)

© Christopher Kobrak 2002

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2002

*A catalogue record for this publication is available from the British Library*

*Library of Congress Cataloguing in Publication data*

Kobrak, Christopher.

National cultures and international competition : the experience of Schering AG, 1851–1950 / Christopher Kobrak.

p. cm.

Includes bibliographical references and index.

ISBN 0-521-81481-2

1. Schering AG – History. 2. Pharmaceutical industry – Germany – History. I. Title.

HD9669.9.S34 K63 2002

338.7'616151'094309034 – dc21

2002017396

ISBN 978-0-521-81481-2 Hardback

ISBN 978-0-521-10121-9 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of  
Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---

*To my parents: Helmut, from whom I acquired a love of  
Berlin and German history, and Margaret, from whom I  
acquired my appetite and capacity for ambitious projects.*

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

The interaction between MNEs, governments, and competitiveness is a complex subject which is only now being addressed seriously by scholars.

John Dunning, *The Globalization of Business*

There are many books on what German diplomats, intellectuals and generals have been doing or dreaming of in this century. Our knowledge of big business is much patchier.

Volker Berghahn, “Big Business and the Quest for a European Empire”

Only by chance do factors of natural resources and geographic distribution of industries coincide with national, ethnic, or even geographic boundaries. Europe, in other words, is an effective basis for control of the major industries, where Germany, England, France, and other political water-tight compartments are not. Many of the major industries require coordination and integration on an even larger scale.

... [I]n a world where the problems of science, technology, commerce, and finance are fundamentally international in scope, the national state operates almost entirely by the way of lag, leak, and friction. It is a historical anachronism which stands in the way of realization of the economies of mass production, geographic specialization, and comprehensive local, regional, continental, and world planning.

Robert A. Brady, *The Rationalization Movement in German Industry*

... [T]he state has everywhere played a greater role in economic life. The preparation and conduct of major wars have served as the catalyst of this process, but it is obvious that the growth of private economic power, the recognition that the state could itself take action to relieve and mitigate the effect of economic crisis, and the intensified demand by large segments of the population for an increasing measure of social security in the broadest sense, have all served to increase the functions of the state.

Gerald Feldman, *Iron and Steel in the German Inflation*

The study of the multinational enterprise (MNE) has suffered, like so many subjects, from artificial divisions erected by academics between disciplines.

Peter Hertner and Geoffrey Jones, *Multinational: Theory and History*

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of  
Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

## Contents

<i>Preface</i>	<i>page</i> ix
<i>Abbreviations and Selected German Terms Used in Text</i>	xvi
1 Opportunities and Obstacles: Schering AG as Historical Subject	1
2 Triumph and Tragedy: Schering and the “Great Illusion,” 1851–1913	12
3 Schering and the “Organized Insanity”	51
4 Beer, Banks, and Coal: Schering Is “Rationalized,” 1922–1923	81
5 Babylon on the Spree: Stabilization and Reorganization	108
6 The Reestablishment of Schering’s International Businesses	143
7 Missed Opportunities: Schering and the Depression	183
8 “Leap into the Unknown”: Schering 1933–1936	217
9 The Crest of the Wave: 1937–1939	255
10 World War II and Schering, 1940–1945	296
11 Epilogue: Schering’s Second Ascent from the Ashes	342
<i>Appendix</i>	360
<i>Index</i>	377

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of  
Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---



Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

## Preface

... [T]he business historian has an advantage over other institutional historians because his subjects have been the prime movers in an epoch in which economic change stimulated some of the most profound transformations in the ways of mankind.      Alfred Chandler, “Business History as Institutional History”

This book grew out of a dissertation about Schering AG. Though focused on German business, both the dissertation and the book were inspired by the general impression that business history as a discipline had somehow not yet capitalized on what Alfred Chandler correctly characterized as its subject’s “prime mover” standing in our age. Although the traces – products, services, advertising, work discipline, political influence – of the modern corporation (big business, most often multinational or transnational firms) are everywhere, filling nearly every nook and cranny of our existence, business histories rarely make it onto the night tables of social scientists, the general public, or even business practitioners. Moreover, most general histories omit extensive discussions of the structural evolution and social significance of business, choosing instead to focus merely on macroeconomic or technological developments. Even though approximately 20 percent of all undergraduate diplomas awarded in the United States, for example, are in some business field, most history departments do not teach business history and business programs themselves rarely require a course in business history for their future MBAs.<sup>1</sup>

The reasons for this failure to “take advantage” of what should be a natural interest for scholars and business practitioners are plentiful and varied. Some historians still tend to view business leaders as merely vile “white males” who live off the surplus value created by the working classes.

<sup>1</sup> According to the American Historical Association, 572 of all history departments in the United States (664 in total) have no one who identifies himself as having a specialty in business history. Of the association’s 13,956 individual members, only 112 listed business history as one of their specialties. (They can list up to three.) E-mail from Robert Townsend, Assistant Director of Publication, Information Systems, and Research, to Christopher Kobrak, October 10, 2001. Although this data does not include statistics about related activities such as labor history, which are of greater interest to historians, it does suggest an ideological rejection of business as an institution.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

x

*Preface*

Those who are inclined to tackle commercial topics sometimes lack sufficient knowledge of the mechanics of business to comment meaningfully on business activities and to relate those activities to general historical trends. Even some excellent recent business histories have tended to segment business into its political, social, or economic dimensions. Surprisingly, even some studies of the organizational development of firms have said little about the economic results of strategic and structural innovations, and how changing social, political, and macroeconomic circumstances influenced a firm's successes or failures. Sadly, too, some of the most widely read works have focused exclusively on the nefarious side of business.

Whereas economists of late have moved away from a mathematical conception of the world and taken much more interest in history, fruitful interaction between the two disciplines is still relatively rare. Only recently, under the influence of Alfred Chandler, Mira Wilkins, and Alice Teichova, to name just a few of the leading figures in the United States and Europe during the past forty years, business historians have started to address systematically issues that interest economists – for example, how companies handle political risks, manage innovation, internalize market functions, react to changes in capital markets, and how and why they internationalize.<sup>2</sup> But many management theorists, for their part, tend to lose patience with data from commercial experiences before World War II and the historical details that form the context of business. In short, despite a great deal of excellent new studies in many countries, business history has been marginalized in the two academic disciplines, with which it should be most closely associated, history and economics.

But all the fault does not lie with academia. Though senior business leaders are wont to complain about their managers' lack of perspective and loyalty to their firms, few companies invest in furthering serious studies of their histories by qualified outsiders. Disappointed by business history's failure to provide a blueprint for action, business leaders tend to underestimate history's potential to encourage values and insights crucial for the long-term health of their enterprises – a deeper appreciation, for example, of the fragility of liberal-democratic political institutions supported by an informed electorate and business's legitimate role in preserving both. Despite this opportunity to enrich the cultural and institutional framework of business, the vast majority of investment in business history seems to be in company-sponsored studies that merely extol the virtues of companies' founding fathers and their values. Business archives tend to be run to service companies' more direct

<sup>2</sup> Business history has gone through many promising transformations recently. For excellent discussions of some of these trends, see Maury Klein's recent article "Coming Full Circle: The Study of Big Business since 1950," *Enterprise & Society*, September 2001, vol. 2, No. 3. For a more international perspective, see several contributions in *Business History*, Alice Teichova et al., eds. (Vienna: Manz, 1999) and Geoffrey Jones, "Company History and Business History in the 1990s," *European Yearbook of Business History*, vol. 2, 1999.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)*Preface*

xi

business or legal needs, which all too often excludes open-ended research by independent historians whose findings might turn up some legitimately embarrassing lapses in corporate ethics or be used by overzealous journalists to vilify business.

As a business school teacher, historian, and former business practitioner, this rupture between the potential interest of business history and the use, to which it is put, coupled with the dearth of business histories, which integrate all the many facets of business – the economic, social, political, and personal – is sad and baffling. What is clear, though, is the consequence: for many historians, economists, the general public, and business people alike, corporations remain, to employ an oft-used metaphor, a “black box,” into which inputs are added, magically mixed, and from which we get a stream of outputs, whose economic value is, with a little luck, mysteriously worth more than the costs to produce them. Considering their importance to us, we still know painfully little about what goes on inside commercial institutions and how those institutions interact with the rest of society, to push the box analogy if I may, how the box interacts with the room in which it is sitting, how, as it were, the box alters its output or *modus operandi* when the room temperature changes or when the lights go out.

This work, then, is specifically addressed to three distinct audiences: to those interested in the economics of the firm; to those interested in the general history of our times; and to those active in business who would like to have a better sense of business’s place in society. I set out to write a business history that would traverse traditional boundaries that separate my audiences, an ambitious undertaking to say the least, especially considering both the amount and holes in my primary source materials. Those who are unfamiliar with doing business history research often forget that companies produce more documents than even the most prolific authors. Schering’s archival material alone accounts for 250 meters of shelf space.<sup>3</sup> Despite the vast amount of data, many important documents did not survive the ravages of time, which for German companies were particularly severe. Moreover, businessmen rarely record their attitudes, reflections, and decisions in a manner designed to help a researcher, like myself, coming decades later. Many of

<sup>3</sup> Over the years, Schering has encouraged and even sponsored several histories by insiders that have helped sort out this morass. Especially important among these works have been Paul Korn’s history of camphor, numerous pieces by Karl Otto Mittelstenschied about camphor and the role of bankers at Schering, Schobig’s *Jubiläums Schrift* written for its 50th anniversary as a joint-stock company, Hans Höllander’s *Geschichte der Schering AG* (1955), Hans-Jürgen Hamann’s history of Schering just after World War II. The company has also contributed to a number of studies by outsiders, notably Wolfgang Frobenius’s history of hormone therapy, *A Triumph of Scientific Research* (New Jersey: Panthenon, 1990). When I first arrived at Schering, much of the archival material had not been cataloged. Over the past decade, Schering has not only added an immense amount of material to its collection, but also it has created a marvelous computerized index, which will no doubt provide invaluable assistance to future researchers.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

their most important assumptions and intentions went unspoken or at least unreported. In some periods, recording conversations entailed a real physical risk for the participants. Much has to be inferred from their behavior in the context of the relevant economic and political circumstances.

This work is longer than histories of comparable companies, because it attempts to describe the evolution of Schering's organizational structures, marketing and research strategies, profitability, and management of human capital in the context of the political and economic environment in which Schering's managers struggled to harness and augment economic value. Therefore, there are many sections of the book that are designed to give a context for Schering's story to readers who might not be familiar with political events or accounting idiosyncrasies that are a necessary part of Schering's story. To any reader who finds some sections too commonplace or too novel, I apologize in advance. I have tried to do justice to all Schering's stakeholders: its workers, shareholders, managers, suppliers, and customers, but, to some extent, the nature of business history pushes the researcher toward more focus on management. Although all the others play an integral role in the development of Schering, business history is ultimately about legal entities, for which owner- or professional-managers are legally entitled to make most of the day-to-day decisions that determine a firm's destiny. Moreover, those managers produce most of the source material about what was going on in the firm.

I have devoted many pages to some general aspects of German history, because Schering's history is incomprehensible without it. Businesses are in one sense more connected to their countries' histories than individuals. As legal entities, corporations are dependent, for their very existence, on the laws of the countries in which they are incorporated. Despite all the attention globalization has received, picking up and leaving their home countries is still harder generally for companies with all their assets and visibility than for individuals. Although this is not exclusively a history of Schering during the Nazi period, it suggests, above all else, that even for companies that sensibly avoided the worst crimes of the Nazi dictatorship, as Schering did, one of the greatest threats to the long-term profitability of firms arises from the actions of their home countries' governments, especially those that abuse liberal values and commercial flows.

For many reasons, Schering is remarkable for permitting this history. Intimidated by potential legal suits and sensational accounts of business practice, understandably, few companies have been so forthcoming in opening their internal records to an outsider. Unlike some German companies, Schering has not been burdened with lawsuits involving its behavior during the Third Reich. Fortunately, though, a historical perspective is particularly important for Schering and other German companies not just because of Germany's troubled past but for the extraordinary promise and internationalism of its earliest business efforts. Fritz Stern's description of

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

## Preface

xiii

Germany's passion and problems with history apply well to Schering's motivation to see its history written:

It is part of the German paradox that while idealizing history as an essential means to self-knowledge and self-cultivation, the Germans have found it hard, indeed impossible, to grasp their own tormented past. . . . To understand the German past is to remember the promise that pre-Hitler Germany represented, and never fully actualized.<sup>4</sup>

But there is an additional, interconnected reason. Like companies all over the world, German firms face what appears to be an invincible assault on separate, nationally-oriented corporate cultures, and managers are searching for rational limits to what is sometimes euphemistical referred to as “corporate-governance convergence.” Some business people, especially in Germany, are starting to recognize that history might provide some guidance for differentiating between what is viable and unsustainable in their national cultures given the prevailing economic environment.

That I came to Schering AG is largely due to my friend, Christian von Rohrscheidt. He was the first to point out how little had been done on Schering and how proud the company was of its history. Moreover, many of the views expressed in this book were developed on long walks with him in the Odenwald, where he also helped me overcome the inadequate knowledge of chemistry with which I tackled this project.

The dissertation and the book could neither have been attempted nor progressed without the aid of the Historical Commission of Schering AG. In return, Schering expected only the truth told well. I would like to express my gratitude in particular to Christine Berghausen whose faith in this project “got me in the door” and whose patience was without limits, and to Peter Pfefferkorn, for being the perfect reader, part businessman, part historian, part friend. Among the many others at Schering to whom I am especially grateful are Karl Otto Mittelstenscheid, the late Hans-Jürgen Hamann, Dr. Horst Witzel, and Gert Wlasich for lending me their special insights and sources about camphor, the photography businesses, and the Nazi era. All of them are excellent historians in their own right. Many students working at Schering's archive helped me find documents at Schering's and other archives, and slaved to produce countless photocopies for me. Most notable of these were Anya Pfaff and Ralf Jacob, from whose knowledge of the Schering Archive, other sources and general sense of history and historical research, I also greatly profited. Christine Berghausen's son, Björn Berghausen, deserves special thanks, too, for his work in organizing Schering's documents about the Nazi Era and his insights into Schering's activity during that period.

<sup>4</sup> Fritz Stern, *Dreams and Delusions* (New York: Vintage Books, 1989), 4.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

xiv

*Preface*

I have had the very great luck in my choice of professors. Since first reading his work, I have aspired to write history as accurately and elegantly as Fritz Stern. While I have no doubt failed to achieve this aim, the ambition itself has made this a better work than it ordinarily would have been. The historian, however, who best grasped what I was after and encouraged me in the conviction that business history was intimately related to general history was Volker Berghahn. His vision and confidence in this project kept me going through the inevitable fits of despair. I was also lucky to have two representatives of Columbia's Business School on my committee, Boris Yavitz (Emeritus) and Richard Nelson. If this work makes any contribution to our understanding of how corporate governance influences innovation and economic values, it will be in large part thanks to their guidance and inspiration. I am also indebted to Edward Malefakis, who though outside of German history and business studies, proved to be an extraordinarily quick study and cogent commentator.

The following companies and archives also assisted substantially in my research: Schering-Plough, DuPont, National Archives in Washington (NAW), Landesarchiv Berlin (LAB) and Bundesarchiv Berlin (BAB, formally Potsdam), and in Koblenz (BAK).

Two other institutions have helped this project along. The institution where I teach, ESCP-EAP European School of Management, has provided funds for travel and time for research. The scholars who make up the numerous activities of the Gesellschaft für Unternehmensgeschichte and the Society for European Business History, directed by Manfred Pohl, moreover, have provided a sounding board and guidance. These groups and the businesses that support them have established themselves as world leaders in bridging the gap between history and business.

This preface gives me the opportunity to thank a host of old friends and colleagues who helped with comments, encouragement, and other chores connected with getting the book into print. They include: Jürgen Boelke, John and Karin Costa, Mary Corbett, Joyti Gupta, Bonnie and Bob Hoffman, Marie-Claude Howard, Cecile Miranda, my cousins, Peter and Mark Kobrak, Nancy and Cliff Schoenberg, Jean-Michel Saussois, and Norma Walter.

One of the happiest consequences of undertaking this research, however, has been the great number of new friends with shared interests who have helped inspire this book and made a great contribution to its final form. Peter Hayes and Gerald Feldman stand out in this regard. They are at the center of community of scholars dedicated to a better understanding of the role of business in the horrors of the Third Reich. In addition to those mentioned above, I would like to thank Alfred Chandler, Norma von Ragenfeld-Feldman, Harold James, Geoffrey Jones, Johann Peter Murmann, Andrea Schneider, Alice Teichova, and Mira Wilkins, as well as Frank Smith and my

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---

*Preface*

xv

readers at Cambridge University Press for their comments and encouragement at various stages of this work.

I deeply regret that the untimely death of Professor William McNeil, who was so helpful when I began the dissertation, prevents me from conveying my appreciation. I wish, too, that the Wolf-Deneke Weltzien – second cousin of Schering’s president through most of the interwar period, who along with his sister, Erika, and Senta Greene, daughter of Julius Weltzien’s long-time friend, gave me so many personal insights about one of the most important figures in Schering’s history – could have seen the final version of this book.

And, of course, I will always be indebted to Sylvie and the boys – Pierre, Stephane, and François, who grew into men during the writing of this book – for enduring my many prolonged physical and mental absences in what must have seemed like a never-ending process.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

## Abbreviations and Selected German Terms Used in Text

AO	Auslandsorganisation (Foreign Organization) of the NSDAP
AG	<i>Aktiengesellschaft</i> (Joint Stock Company, originally spelled <i>Actien</i> )
APC	Alien Property Custodian
<i>Aufsichtsrat</i>	Supervisory Board or Outside Directors
BAB	Bundesarchiv Berlin (formally Potsdam)
BAK	Bundesarchiv Koblenz
BDC	Berlin Documents Center
BHG	Berliner Handels-Gesellschaft
BRP	British Pound
BSC	British Security Coordination
DAF	Deutsche Arbeitsfront (German Labor Front)
DEM	Deutsche Mark
DNVP	Deutsche Nationale Volkspartei (German National People's Party)
FRF	French Franc
Gestapo	Geheime Staatspolizei
GM	Goldmark
GNP	Gross National Product
HADB	Historisches Archiv Deutsche Bank
IG	<i>Interessengemeinschaft</i> , but used in this form as abbreviation for IG Farben
<i>Interessengemeinschaft</i>	Community of Interest
KWI	Kaiser-Wilhelm Institut
LAB	Landesarchiv Berlin
M	Mark
<i>Machtergreifung</i>	Nazi Seizure of Power
MDC	Mitteldeutsche Creditbank
NAW	National Archive Washington
NSBO	Nationalsozialistische Betriebszellen-Organisation (National Socialist Factory Cell Organizations)



Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)*Abbreviations and Selected German Terms Used in Text* xvii

NSDAP	Nationalsozialistische Deutsche Arbeitspartei (National Socialist German Labor Party)
OMGUS	Office of the Military Government, United States
P&G	Proctor and Gamble
RKF	Rheinische Kampferfabrik
RM	Reichmark
RWM	Reichswirtschaftsministerium (Reich Economics Ministry)
S&G	Schering & Glatz
SA	Sturmabteilung der NSDAP (Storm Troopers)
SAR	Schering Annual Reports
SchA	Schering Archive
SS	Schutzstaffel der NSDAP
USD	U.S. Dollar
VCW	Vereinigten Chemische Werke A.G.
<i>Vorstand</i>	Management Board or Inside Board
ZAG	Zentralarbeitsgemeinschaft (Central Work Committee)

Note: All abbreviations of German terms written without periods, except those in titles.

Cambridge University Press

978-0-521-81481-2 - National Cultures and International Competition: The Experience of  
Schering AG, 1851–1950

Christopher Kobrak

Frontmatter

[More information](#)

---