

Managing Industrial Decline: Four British Colliery Companies between the Wars

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The decline of British industry in the course of the last one hundred years is one of the singular facts of recent economic history. Understandably, it has attracted considerable attention. Politicians, civil servants, businessmen, trade unionists, and academics all have debated the causes of this decline, its chronology, and its implications for British life. At the center of much of this often heated argument has been the individual entrepreneur. He has been castigated for his indifference to profit maximization, his ignorance of scientific and technological developments, and his preference for the leisure of the land and the excitement of the exchange. He has been praised for his rational accommodation to economic constraints and his efficient reaction to pecuniary opportunities. His sensitivity to government policy and organized labor and his relations with financial institutions have been much discussed. Yet there has been very little empirical study of particular entrepreneurs and individual enterprises in Britain's declining industries. Business histories of Britain's staple trades concentrate almost exclusively upon the heroic period of the industrial revolution. Studies of more recent periods tend to focus upon the country's multinational giants.

My dissertation examines entrepreneurship at four firms in one of Britain's principal industries--the coal industry--during the 1920s and 1930s, two decades when that industry experienced an unambiguous decline.¹ The

¹This dissertation was completed at Columbia University under the supervision of the late Stephen E. Koss and Robert O. Paxton. My research was made possible by a Social Science Research Council and American Council of Learned Societies Doctoral Research Fellowship.

thesis examines labor management, capital development, and marketing at the four concerns. Moreover, it does so in an explicitly comparative framework. The strategies that the four companies employed in the mining and selling of coal are compared with those adopted by neighboring concerns, and the successes and failures that attended their efforts are set against the performances of the regional coal industries to which they belonged. In this way, it is possible to identify those factors that conduced to profitable working in the interwar British coal trade and to evaluate the importance of entrepreneurship in determining companies' results.

The four firms examined in this study cannot be regarded as representative British colliery companies simply because there were none. In 1921 there were 1,673 separate undertakings in the British coal industry working 3,045 mines. They ranged in size from single-pit operations employing a handful of men and producing a few thousand tons per annum to large-scale corporations working numerous mines, employing thousands of miners, and raising several million tons annually. These enterprises were distributed over the 22 districts into which the government divided the industry for purposes of wage determination. Geological conditions, transport facilities, and product and labor markets differed both among and within the districts.

The sample of firms employed here, though its selection was governed primarily by the availability of documentation, reflects the diversity of the interwar British coal industry. Two of the firms, the Ashington Coal Company and the Throckley Coal Company, were located in Northumberland, a district whose output went primarily for export. The other two firms, Henry Briggs, Son and Company and the Waterloo Main Colliery Company, were situated in West Yorkshire and produced largely for British consumption. Ashington and Briggs were among the largest firms in their respective districts. Throckley and Waterloo Main were of average size for the districts in which they were located. The firms also differed with respect to type of ownership and sources of managerial personnel. Briggs was a public company whose shares traded on the London Stock Exchange. Ashington was a private company in the hands of three families. Paradoxically, the latter firm relied upon professional managers unrelated to the owners, and the former drew its leading personnel from the family with the largest shareholding. Both of the smaller concerns were private companies, and they too relied upon their owners to provide managerial talent.

Ashington, Briggs, and Waterloo Main all prospered during the 1920s and 1930s. Ashington, despite a massive works-improvement program that required average annual expenditures in excess of £44,000 between 1924 and 1938 and a prudential financial policy that emphasized the accumulation of readily realizable assets, met the 5 percent annual obligation to its preference shareholders in each year of the interwar period and paid its ordinary sharehold-

ers dividends that averaged 7.5 percent for the period 1921-38. Between 1936 and 1938, the only years for which the relevant data are available, the firm's net profit per ton per annum averaged 241 percent more than the net profit of the Northumberland coal industry as a whole. At Briggs, the firm's average annual net profit over the period 1922-38 was more than four times greater than the average profit of the national coal industry. The return on the company's paid-up capital averaged 11.9 percent for the years 1921-39, and the average annual dividend measured 9.3 percent. Precise quantification of Waterloo Main's financial performance is not possible, but there is little reason to doubt that the company made coal mining pay between the wars. In January 1932 the staff of the Coal Mines Reorganization Commission reported that Waterloo Main's parent concern, Stringer and Son Limited, was paying its way and that Waterloo Main was "their most profitable colliery." Since the annual sale value of a ton of Waterloo Main's coal was, on the average, 12.7 percent higher than the sale value of a ton of West Yorkshire coal over the period 1921-38, the firm's profits could well have been in excess of the district norm even if production costs had been above the average.

The Throckley Coal Company did not operate profitably during the 1920s and 1930s. The dividend on Throckley's preference shares fell into arrears in 1924, and, as of 31 December 1938, the concern was a full four years behind in its obligations to its preference shareholders. Ordinary shareholders received no dividend in 1921 and none between 1924 and 1938. Throckley's current account was regularly in the red, and the firm resorted to a raid upon its general reserve account in a futile attempt to shore up its profit and loss account. Why was Throckley's financial performance during the interwar period so poor? How did Ashington, Briggs, and Waterloo Main manage to prosper while the British coal industry as a whole suffered decline and impoverishment?

Labor management at these firms proceeded in quite different directions. Ashington invested heavily in the well-being and cooperation of its workforce. The company paid at least some of its miners at wage rates higher than those negotiated at the district level by the Northumberland Coal Owners' Association and the Northumberland Miners' Association. It undertook an extensive housebuilding program, and it operated a comprehensive welfare program that catered to the recreational, educational, and medical requirements of its employees. Ashington looked favorably upon the unionization of its miners and had no qualms about making this view known to the nonunion men on its payroll. When disputes between management and men did arise, the company routinely adopted a conciliatory posture, the peaceful resolution of differences taking precedence over the defense of managerial prerogative. Throckley, by contrast, was hostile to unionization and brought to industrial disputes a rigid insistence upon management's right to manage free from outside interference. When seeking economies in its operating costs, the firm

turned first to labor and welfare expenditures. At Briggs, labor management was neither as generous and accommodating as at Ashington nor as mean-spirited and obstructive as at Throckley. The company assumed only a modest responsibility for the welfare of its employees, but it went beyond the limits of its commitments when economic and political circumstances reduced the miners' capacity to provide for their own well-being. While Briggs did not encourage its employees to join the Yorkshire Mineworkers' Association, it made no attempt to hamper the union's organizing activities. Briggs' management had no reservations about negotiating working practices with the union if its production objectives could be advanced thereby. Nor was the concern reluctant to appeal directly to its workmen over the head of the union if the latter's cooperation was not forthcoming.

The results that attended the firm's labor-management efforts did not reflect the different strategies that they pursued. Ashington was no more immune to strikes than was Throckley, and both concerns lost more days to strikes than did Briggs. Ashington suffered absenteeism rates higher than those that Briggs, a far less paternalistic employer, recorded. Nor was there a correlation between labor policies and unit labor costs. At Ashington, extensive welfare expenditure and a conciliatory approach to industrial relations coincided with unit labor costs above the Northumberland average. The firm's unit labor costs were nonetheless lower than those of Throckley, despite the latter's cheese-paring approach to labor management. Briggs' pragmatic labor policy brought mixed results: in some years, unit labor costs were below the Yorkshire norm; in others, they were above it. Finally, there was no strict correlation between unit labor costs and financial performance. Throckley, with its high unit labor costs, did run a deficit throughout the interwar period. Ashington, however, made profits in excess of the Northumberland average despite above-average unit labor costs, and Briggs' net profit regularly exceeded Yorkshire's net proceeds whether its unit labor costs were lower than the county standard or not.

Works management, in both its technological and its organizational aspects, was a more important determinant of the four companies' fortunes than was labor policy. Ashington, Briggs, and Waterloo Main all raised the efficiency of their mining operations in comparison with the efficiency of the district coal industries to which they belonged. Both of the large firms achieved striking economies in nonlabor costs of production. At Ashington, output per man underground per diem increased by 74 percent between 1922-23 and 1937-38, enabling the concern to widen the gap between its productivity and that of Northumberland coal industry from 8 percent to 27 percent. The company also attained a level of organizational efficiency superior to that reached by other companies on the Northumberland coal field. During the period 1936-38, Ashington's annual expenditures on managerial expenses, salaries, insurance, repairs, and office and general expenses averaged 29.5

percent less per ton than the county coal industry's outlays on these items. Productivity trends at Briggs are uncertain, though it is clear that in 1932-33 the average Briggs miner handled 3 percent more coal per diem than his West Yorkshire counterpart and that a growing gap opened up between the firm's unit labor costs and the county's after 1936, when Briggs' costs first fell below those of the county. As the company was not free to lower wages independently and as there was neither a substantial reduction of the firm's labor force nor a redistribution of it among its collieries, it is hard to explain this gap except in terms of increased efficiency down the mines. Organizational economies also contributed to Briggs' success. Throughout the 1930s, nonlabor expenditures at the firm were below the Yorkshire average, the disparity averaging 12.3 percent for the years 1932-38. Waterloo Main increased output per man underground per annum by 62 percent between 1922-23 and 1936 and 1938 and, in the process, narrowed the disparity between its productivity and that of the West Yorkshire coal industry from 25 percent to 6 percent. Only Throckley failed to improve its efficiency in comparison with that of its regional coal industry. Between 1922-23 and 1938, the gap between output per man underground per diem at the firm and in the county widened from 17 percent to 25.5 percent.

Mining efficiency, the individual case studies suggest, could be enhanced by a variety of means. Ashington made technological innovation the first principle of works management, pioneering the development of new appliances and leading the way in the adoption of integrated, mechanized mining systems. Briggs showed than an ad hoc approach to innovation could suffice, making extensive use of some new appliances, e.g., mechanical coal-cutters, but falling short of the district standard in its utilization of others, e.g., mechanical conveyors. Waterloo Main got by without extensive mechanization. Here management increased productivity by paying particular attention to the siting of extractive operations and by tailoring extractive techniques to the geological characteristics of the areas being worked.

While the histories of the four companies show that colliery concerns could ignore the efficiency of their works only at their own peril, in no case was resourceful works management the single most important source of a firm's success. For all of Ashington's new machinery and its undoubted organizational efficiency, the firm's production costs, during years of very large profits, remained higher than those of the Northumberland coal industry as a whole. Briggs ultimately brought its costs down below the Yorkshire average in the late 1930s, but by then the company's profits had been in excess of the county's for years. In view of the differential between the sale value of Waterloo Main's coal and West Yorkshire's, it would be idle to pretend that the firm owed everything to plant management, especially as its productivity never reached the district level.

The financial success that Ashington, Briggs, and Waterloo Main achieved in the interwar coal industry was due primarily to their good fortune in the marketplace. The wide disparity between Ashington's profits and those of the Northumberland coal industry in the late 1930s derived entirely from the gap between the prices at which Ashington sold its coals and the sale values of the district coal industry. At Briggs, superior sale prices alone explain the margins between the firm's profits and those of the county coal industry during the worst years of the depression, 1929-34, and in 1935 the company's above-average profit was produced by a combination of higher sale values and lower costs. Waterloo Main enjoyed a substantial advantage in sale prices over the West Yorkshire coal industry throughout the 1920s and 1930s.

The three profitable concerns owed their commercial success to astute marketing, not to the beneficence of nature. Neither Ashington nor Briggs mined coals of exceptional chemical properties and high scarcity values. That their inherently ordinary household, steam, and manufacturing coals fetched above-average prices was due to the skill with which the two firms prepared and marketed their produce. Both companies invested heavily in coal-cleaning plant and in the screens and handling devices necessary for the blending of their coals into shipments of uniform calorific properties and similarly sized coals. Both concerns hired chemists, provided them with modern laboratories, and set them to work analyzing their cargoes. If consumers willingly paid premium prices for the produce of Ashington and Briggs, it was because these enterprises could be relied upon to provide clean coals of uniform size and calorific properties--qualities accurately described in the analyses that the firms forwarded with their cargoes. Waterloo Main's commercial success was built upon the occupation of a privileged niche in the household coal market, a position that could not have been secured without initiative and skill. Coals of exceptional properties, like anthracite and good quality coking-coal, did not enter into this trade, and coals suitable for household use were available in abundance. The fragmentation of the distribution network further weakened the position of the individual suppliers. Thus, even if Waterloo Main's produce was naturally endowed with properties that made it particularly well-suited for domestic consumption (and we have no evidence that this was the case), the firm could not have made a success of this difficult market had it not carefully geared its production to the nuances of the trade and developed efficient commercial outlets. Throckley's sorry performance was very much a product of commercial inefficiency, mismanagement here compounding that in the firm's extractive operations. While Throckley's salesmen cannot be blamed for the closure of a nearby steelworks with which the company had once done a considerable business, management did not establish coal-cleaning on a comprehensive basis, install sophisticated equipment for the blending of coals, or employ chemists to provide customers with cargo analyses. As a result, the concern's coals were not very competitive in those mar-

kets that remained available, and its sales were increasingly confined to the foreign steamer trade, one of the last remunerative sectors of the coal market.

My study of individual enterprises demonstrates that there were available to interwar British colliery companies production and commercial strategies that could negate the falling-off of demand and the intensified competition that afflicted the coal industry and that could result in profitable working. Comparisons between the three successful firms and their district coal industries indicate that these strategies were not widely utilized. The history of the unprofitable Throckley Coal Company suggests that factors beyond management's control did not inhibit the adoption of these strategies: geology was no barrier to productivity-enhancing techniques; financing was not unavailable for innovation; labor was not strong enough to obstruct changes in working practices. Thus, the dissertation establishes a *prima facie* case for entrepreneurial failure in the interwar British coal industry.

