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Seagram Comes to Scotland: The Role of Local Players in the Overseas Expansion of a Canadian Multinational, 1949-1965

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In this paper, I assess the Seagram Company's investment in Britain after World War II through Robert Brown, Ltd., a U.K. subsidiary, its first major expansion outside the North American continent. I argue that this direct investment in Britain was less a matter of corporate strategic policy and more the result of a convergence of factors. These include the personal and entrepreneurial ambitions of key figures in Seagram, particularly Jimmy Barclay; the efforts by British managers, especially John Chiene, to establish Robert Brown, Ltd., as an integrated operating company within the Seagram system; and the impact of British policies on import barriers, exchange controls, and exports of capital that established the parameters within which Seagram operated throughout the 1950s. Ultimately, the transformation of the British subsidiary from a small sales agency to a full-scale production and distribution organization laid the groundwork for Seagram's overseas expansion in the ensuing decades.

Seagram today is little more than the brand name of a line of alcoholic beverages marketed by Pernod Ricard (and a line of mixers sold by Coca Cola). But in its heyday, from the end of World War II through the 1980s, Seagram's liquor empire (officially, Distillers Corporation-Seagrams, Ltd.), controlled by the Bronfman family of Montreal, was among the largest Canadian-owned multinational companies and one of the world's leading enterprises in its field. In his 1985 book *Canadian Multinationals,* Jorge Niosi emphasized Seagram's global capabilities: "Seagram . . . can produce Scotch in Britain, bourbon in the United States, rye in Canada and the

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United States, cognac in France, rum in Jamaica and Porto Rico. . . . Thus it can respond to structural changes in alcohol consumption while retaining its leading position in the industry."[1] At that time, Seagram had operations in twenty-five countries, with partners in Japan, Australia, and New Zealand, as well as in Europe and Latin America, and an array of distilleries, vineyards, bottling plants, and distributors across North America.

The Bronfmans' first cross-border venture dated back to the early 1930s, when, following the repeal of Prohibition, they acquired a variety of defunct distilleries in the United States and set up a national sales organization there to market Seagram's "blended" whiskies. Two decades later, the U.S. operation dwarfed its Canadian parent firm, signified by the erection of the Seagram Building in New York, designed by Mies van der Rohe; and the relocation of Sam Bronfman, the dominant figure in the company, to the American "subsidiary" headquarters.

For the Bronfmans, as for many enterprising Canadians, entering the U.S. market was not a great leap in the dark. Despite the political boundaries, economic and cultural ties were close; and banking and transportation links facilitated cross-border operations. On the other hand, expanding the business beyond North America was a different challenge. As an observer of the company noted, through the 1950s Sam Bronfman's interest in overseas markets for his products was limited largely to sales to U.S. military personnel stationed abroad.[2] Nevertheless, some substantial steps were taken during that period to provide an overseas presence for Seagram, including the creation of Seagram Overseas Sales Company (SOSCO), and most notably, the establishment of Seagram Distillers (U.K.) in 1962. This subsidiary, in many respects, represented the first major international undertaking by the Seagram company, transforming what had been a sales agency into a fully integrated production and distribution organization that was oriented toward the emerging European market, providing a model for the parent company for future overseas ventures.

I argue that the decisions to establish and expand this British subsidiary were not the product of a careful corporate strategy designed in Montreal (or New York), but the result of a combination of circumstances prevailing in the local (British) market. These included the unusual imposition of government restrictions on capital flows and the vigorous efforts of "local players" seeking to exploit this situation, particularly Jimmy Barclay, an entrepreneurial crony of Sam Bronfman, and John Chiene, who became the manager of the nascent British operation.

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[1] Jorge Niosi, *Canadian Multinationals*, trans. Robert Chodos (Toronto, 1985), 130.

[2] "Seagram's Late Awakening," *Forbes* (1 Feb. 1973), 24-25.

In many respects, this was a most peculiar outcome, reflecting not only the conditions in which these events transpired, but also the idiosyncratic nature of the Seagram company under the "one man rule" of Sam Bronfman. However, the episode recounted here is not unique. A small, but growing, literature on the evolution of multinational companies has unearthed other examples of situations in which "local players" have been able to establish autonomous roles in the development of corporate strategies, even in circumstances where technologies of communication and control are far more advanced than was the case in the 1950s and 1960s.

Sometimes those in charge of subsidiaries have been able to "exploit tensions between multiple and . . . conflicting lines of authority within the [parent] company," or "leverag[e] local resources to strengthen their position within the global firm," or to employ other related tactics.[3] While researchers are mindful of the ultimate power exercised by those who control multinational enterprises, they also highlight the fact that ultimately the accomplishment of corporate goals depends on the capabilities and commitment of individuals "on the ground" to make them happen. In this case, the "local players" saw their search for autonomy (in the form of a more integrated business operation) as serving the long-term interests of their corporate parents; their efforts in that regard appear well directed. For better or for worse, the global expansion of the Seagram company proceeded from its overseas base in Britain.[4]

The saga of the Bronfmans—their rise to wealth on profits from illicit liquor trade to the United States during the 1920s Prohibition era, the bitter internecine family feuds, and the abrupt collapse of what had become an "entertainment empire" after Seagram's merger with Vivendi in December 2000—has often been told, in expurgated versions sanctioned by the family; in various popular exposés of the shady origins of their wealth and battles for control of the company; and even in novels.[5] The

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[3] Anthony Ferner, "Global Games and General Claims: Locating the Contribution of Kristensen and Zeitlin," *Socio-Economic Review* 68 (April 2008): 380.

[4] The "classic" work in this genre is Peer Kristensen and Jonathan Zeitlin, *Local Players in Global Games* (New York, 2004). See also Kristensen and Zeitlin, "The Making of a Global Firm: Local Pathways to Multinational Enterprises," in *The Multinational Firm: Organizing Across Institutional and National Divides*, ed. Glenn Morgan, Peer Hull Kristensen, and Richard Whitley (Oxford, England, 2001), 172-95; J. M. Birkenshaw, "Configurations of Strategy and Structure in Subsidiaries of Multinational Corporations," *Journal of International Business Studies* 26 (Dec. 1995): 729-53; J. M. Birkenshaw, "An Empirical Study of Development Processes in Foreign-Owned Subsidiaries in Canada and Scotland," *Management International Review* 37 (Oct. 1997): 339-64.

[5] The most detailed historical treatment is Michael Marrus, *Mister Sam: The Life and Times of Samuel Bronfman* (Toronto, 1991). Peter C. Newman, *Bronfman*

sons of a Russian immigrant family attracted to the Canadian prairies in the 1880s, the brothers Sam, Abe, Allan, and Harry Bronfman went into the hotel business in Winnipeg. They discovered that hotel bars were a major source of profits, an insight that led them into the liquor trade. They focused particularly on interprovincial "mail order" sales, with catalogues featuring their wares, much like Sears or Eaton's, which enabled them to circumvent the effects of local prohibition and liquor-control laws imposed in Ontario and the prairie provinces during World War I.

The introduction of nationwide Prohibition in the United States in 1919 opened new opportunities for the Bronfmans, who set up "export houses" near the border for the convenience of American bootleggers, with the tacit endorsement of various levels of the Canadian government. So lucrative was this trade that in 1923 the Bronfmans bought a distillery in Kentucky and transferred it to Montreal, which became their main base of operations. Four years later, they acquired another distillery in Waterloo, Ontario, established by Joseph Seagram in 1857. They made a deal with the Distillers Company, Ltd., of Scotland, a consortium of producers of Scotch whiskey, to import into North America. From this agreement emerged the Distillers Corporation-Seagram, Ltd. (DC-SL), initially a partnership, but bought out by the Bronfmans in 1933.[6]

With the repeal of U.S. Prohibition in 1933, the Bronfmans moved quickly to establish production and sales operations there. They were not alone in pursuing this course: under the leadership of Harry Hatch, Hiram Walker Co., another Canadian distiller, also went directly into the American market. The need to take advantage of their large inventories of liquor before potential American competitors could develop their own

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Dynasty (Toronto, 1978) dwelt at length on the unsavory origins of the Bronfmans' wealth and on their family feuds. Rod McQueen, *The Icarus Factor* (New York, 2004) follows the misadventures of Edgar Bronfman, Jr. Mordecai Richler's novel *Solomon Gursky Was Here* (Markham, Ont., 1989) may be seen as a thinly disguised account of the family (although Richler denied that there was any resemblance). More recent treatments are offered by Nicholas Faith, *The Bronfmans: The Rise and Fall of the House of Seagram* (New York, 2006); and Graham D. Taylor, " 'From Shirtsleeves to Shirtless': The Bronfman Dynasty and the Seagram Empire," *Business & Economic History-Online* 4 (June 2006). URL: http://www.thebhc.org/publications/BEHonline/2006/taylor.pdf.

[6] In 1925, Distillers Company, Ltd. (DCL) had merged with Buchanan-Dewar, Ltd., and John Walker & Sons, Ltd., to form the DCL Group. In part, concern over the shrinking market for Scotch whiskey since World War I drove the merger. Bronfman appears to have recognized that an alliance with the aggressive Seagram company in North America would be attractive to DCL. See R. J. Weir, "Brands and Marketing in Two Mergers: 'The Big Amalgamation' 1925 and Guinness-DCL 1986," in *Adding Value: Brands and Marketing in Food and Drink*, ed. Geoffrey Jones and Nicholas J. Morgan (London, 1994), 139-54.

stocks drove both Hatch and the Bronfmans. The Bronfmans set up a U.S. subsidiary of DC-SL, Joseph Seagram & Sons, incorporated in Indiana in 1933, and acquired George Calvert & Co., a Maryland distillery, a year later. The Seagram and Calvert companies became the base for expansion in the United States in the mid-1930s, as the Bronfmans bought up a number of smaller firms for both their distilling facilities and their brand names. In part to circumvent regional preferences for rye or bourbon, they focused on marketing "blended" whiskies and sought to project a "respectable and responsible" image of their products that would appeal to middle-class consumers. These strategies worked well: DC-SL's net sales doubled between 1935 and 1940, and quadrupled from $100 million to $400 million between 1941 and 1945. Net profits rose from $5.5 million in 1935 to $49 million in 1945 (all figures in 1939 U.S. dollars).[7]

DC-SL was a Canadian company, but in many respects its "Canadianness" was not widely recognized in the United States. Although the U.S. subsidiaries represented foreign direct investment, the Seagram enterprises were not exactly "multinational" in nature, at least in the first decade of operations. The U.S. companies provided the bulk of DC-SL revenues, and the Seagram headquarters in New York was much larger than the Montreal offices of its parent. By the end of the 1930s, Sam Bronfman had become the dominant brother in the family (ousting Abe and Harry from any management roles and intimidating Allan). He spent most of his time in New York, eventually relocating his family to a mansion in Tarrytown and hobnobbing with New York City's Jewish social elite. In the 1950s, the new Seagram building in New York, designed by Ludwig Mies van der Rohe, became the flagship symbol of the company, even though Montreal, manned by the hapless Allan Bronfman, remained the nominal corporate center.[8]

By most accounts, "Mister Sam's" domineering personality contributed to both DC-SL's dramatic growth and to some of its longer-term problems. "Mr. Sam was not interested in overseas sales," John McCarthy wrote in 1973, except for sales to U.S. military posts abroad; and, similarly, he saw no "great possibilities of future sales in straight whiskies, vodka

[7] Figures compiled from annual reports in Seagram Collection, Accession 2173, Series II, box 37, Financial Statements, Hagley Museum and Library, Eleutherian Mills, Delaware. On Seagram's expansion in the United States in the 1930s and 1940s, see H. H. Marshall, Frank Southard, Jr., and Kenneth Taylor, *Canadian-American Industry: A Study in International Investment* (Toronto, 1976), 183; and Mira Wilkins, *The History of Foreign Investment in the United States, 1914-1945* (Cambridge, Mass., 2004), 397-98.
[8] Marrus, *Mister Sam*, 389-94.

and Scotch except as a high priced premium product."[9] The initiatives for international growth and the shift from "blends" and diversification into lighter liquors were undertaken by Sam's sons Edgar and Charles, and not until after the death of the founding father.

Much in this rendition of events is accurate: in 1970, when Sam died, the United States still accounted for more than 85 percent of Seagram's sales, and the company was losing market share except in the area of blended whiskey, which was also a declining market. Strategies undertaken by the second generation helped address those problems, although the real strength of the company derived from its oil and gas holdings.[10]

Until the 1960s, however, Sam Bronfman was less rigid than this account implies. As early as 1940, he moved into the California wine industry, relying particularly on Franz Sichel (a refugee vintner from Europe) through whom Seagram set up a partnership with Christian Brothers and acquired Paul Masson Vineyards. Seagram also entered the rum business during World War II and established partnerships with Mumm (champagne), Noilly Prat (vermouth), and Wolfschmidt (vodka) in the early 1950s. In *From Little Acorns,* the company history that Sam wrote (or at least attached his name to) shortly before his death, he emphasized his interest in international expansion after World War II, which led to the establishment of Seagram Overseas Corporation (SOSCO) in 1957.[11]

Among the most substantial of Seagram's international initiatives in this era was its expansion into the United Kingdom. This occurred not only through sales, particularly of rum, but also through significant new direct investments, including the acquisition of Chivas Brothers. It culminated in the late 1950s with the construction of the Glenlivet/Glen Keith Distillery, "the first new malt distillery built in Scotland since the Victorian era," which Sam regarded as "his pride and joy." [12] A subsidiary, Robert Brown (U.K.), Ltd., of Glasgow, acquired in the 1930s principally to extend

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[9] J. McCarthy, "Seagram's Around the World," *Wine and Spirit Magazine* (Dec. 1973), Seagram Papers, Accession 2173, Series III, box 206, Seagram Foreign Subsidiaries file.
[10] "Seagram's Late Awakening," 24-29.
[11] Samuel Bronfman, *From Little Acorns* (Seagram Annual Report, 1970), 44-63. Comparative perspectives on the strategies of companies in the liquor industry are provided in Teresa da Silva Lopes, "The Growth and Survival of Multinationals in the Global Alcoholic Beverages Industry," *Enterprise & Society* 4 (Dec. 2003): 592-98; and Nicholas J. Morgan and Michael Moss, "The Marketing of Scotch Whisky: An Historical Perspective," in *The Rise and Fall of Mass Marketing*, ed. Richard S. Tedlow and Geoffrey Jones (London, 1993), 116-31.
[12] Michael Moss and J. Hume, *The Making of Scotch Whisky: A History of the Scotch Whisky Distilling Industry* (Edinburgh, 1981), 27.

Seagram's inventory of scotch, and operating out of a single office as virtually a paper organization for almost two decades, carried out much of this expansion. By the end of the 1950s, Robert Brown had emerged as a full-fledged operating enterprise with distilleries in Scotland, warehouses in Liverpool, offices in Glasgow and London, rum-purchasing agencies in the Caribbean, and marketing a full range of wines and liquors.

Three factors contributed to this transformation. First, there was entrepreneurship: the instincts and energies, not only of Sam Bronfman, but also of his friend Jimmy Barclay, "a Scotsman who was literally raised in a distillery and who knew the history of the distilleries of Scotland like the back of his hand."[13] A second factor was British government policy regarding trade, capital mobility, and exchange rates. During this period, the British pound was under constant pressure, and measures to limit imports of goods and exports of foreign-owned earnings affected Bronfman's decisions throughout the decade. The final factor was the role played by the managers of Robert Brown, Ltd., in shaping the perspectives of their masters in New York and Montreal. Of particular importance was John Chiene, who, as head of the British subsidiary, doggedly pursued a course to establish his company as a going concern with real assets and responsibilities within the Seagram empire.

A theme that ran through most of Sam Bronfman's life was the desire to achieve not just wealth but "respectability." The advertising campaigns for Seagram products (in which Sam played a hands-on role) always emphasized "quality," with regard not only to the product, but also to its consumers, with Seagram whiskey "being sipped in the quiet dignity of a London club by English gentlemen."[14] Calvert advertising featured "men of distinction" such as Myron Taylor of U.S. Steel, or actor Ralph Bellamy (who sometimes played President Franklin Roosevelt in films) sampling their wares. To some extent, we can see these as logical efforts by Seagram to reach a wider consumer group and, like their much-publicized campaign for "moderation" in drinking, reflecting a desire to disassociate the newly legitimated liquor business from its pre-Prohibition reputation

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[13] Marrus, *Mister Sam*, 373.

[14] Philip Siekman, "The Bronfmans: An Instinct for Dynasty," *Fortune (*Nov. 1966), 206. There was nothing unique, however, about Seagram marketing its brands in terms of "quality," not just of the product, but also the consumer: "[T]he major spirits distilling companies in the U.K. all feature a range of prestigious higher-priced brands which they have carefully nurtured over time through advertising and other methods of promotion in international markets . . . for spirits characterized by a demand for higher status image-conferring brands." See V. N. Balasubramanyan and M. A. Salisu, "Brands and the Alcoholic Drink Industry," in *Adding Value*, ed. Jones and Morgan, 69.

as providing "booze" to the masses (and its Prohibition era reputation for bootlegging).[15]

However, this approach persisted throughout Sam's time as head of Seagram. In the 1950s, for example, when the company was trying to break into the continental European market, it employed Prince Dmitri Romanov, a somewhat distant claimant to the throne of the Czars (and a popular figure in Western European social circles) as a sales representative. To the frequent bemusement of Seagram managers, Romanov had a penchant for spending more on social events for the likes of the Duke and Duchess of Windsor than the company was likely to recoup through sales.[16]

Especially after commercial success was assured, Sam Bronfman actively (and mostly unsuccessfully) sought social recognition. He found his vain quest for a seat in the Canadian Senate particularly frustrating. Toward the end of his life, he achieved recognition within the Canadian and U.S. Jewish communities for his contributions to Zionism and the establishment of Israel, although he seemed to have somewhat mixed attitudes toward these activities.[17]

In the world of liquor in which he had chosen to make his career, the highest peak of quality (and social standing) was Scotch whiskey from the Highlands distilleries. Sam Bronfman recognized this from his earliest involvement in the liquor trade, and he set out in 1926 to establish a partnership with the chieftains of the industry, Distillers Company, Ltd. (DCL), of Scotland. Despite some personal difficulties with DCL chair William Ross, Bronfman worked out an agreement in 1927 that enabled him to acquire DCL scotch for "export" (to the United States) with Ross as head of DCL Canada and Bronfman as vice-president.

With the 1933 end of U.S. Prohibition approaching, Sam Bronfman embarked on a more ambitious plan in which his company (Seagram), with DCL's high-quality scotch and an alliance with a U.S. company, Schenley, could acquire a near-monopoly on the U.S. liquor market, at least for the short run. His reception in Glasgow by the DCL barons (including Field Marshal Earl Haig, commander of British forces during World War I; Lord Dewar; Sir James Calder; and Sir Alexander Walker) was devastating. Ross rejected the idea of a partnership out of hand. Sam Bronfman quickly countered with a proposal to buy out the Seagram-DCL partnership, which was done.

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[15] Craig Heron, *Booze: A Distilled History* (Toronto, 2003), provides an overview of the liquor industry and attitudes toward drinking in Canada, particularly in the early 1900s.

[16] We can trace the misadventures of Prince Dmitri with Seagram in Seagram Papers, Accession 2173, Series II, box 27, International Expansion 1952-64 files.

[17] See Marrus, *Mister Sam*, 418-48.

Although Ross claimed that DCL chose not to pursue this opportunity because of objections to Bronfman's proposed American partner, Lou Rosenstiel of Schenley, Sam drew the conclusion that, while the Scottish lords were prepared to deal with the devil during Prohibition, they had no interest in working with a Canadian Jewish *parvenu* in a "legitimate" business (Rosenstiel was also Jewish). Although he was careful to keep on good terms with his erstwhile "partners," it should not be surprising that a quarter century later Sam Bronfman would relish the opportunity to set up the "first new distillery in Scotland since the Victorian era" and would devote much of his personal time to ensure they had a fitting competitor. [18]

Whatever Sam Bronfman's general opinions were toward foreign investment, the British Isles represented a special case that reflected, at least to some extent, this background. However, Sam was not one to allow considerations of social prestige to override business judgment. The decision to take over Robert Brown (U.K.), Ltd., in 1935 appears to have been based on two considerations: first, the company (albeit virtually defunct in the midst of the Great Depression) had a good inventory of scotch whiskey which, with aging, would significantly enhance Seagram's line of "quality" products. Second, the company had control of trademarks that they could market to the upscale whiskey market in the future. Both of these assumptions were to be borne out, as the Brown stock provided the basis for the Chivas Regal (blended) scotch that Seagram introduced in the 1950s; and the trademarks (particularly the "Crown" brand) were immediately used in marketing Seagram blends in the United States.[19]

A key figure in this transaction, and many others Bronfman was to conclude in the United Kingdom during the next twenty years, was Jimmy Barclay of Glasgow. Maxwell Henderson, Seagram's chief financial officer for many years (and later auditor general of Canada), described Barclay in terms applicable to Sam Bronfman himself: "one of the greatest living entrepreneurs ever to graduate into the respectable era from bootlegging days."[20] Barclay was a dealer in scotch stocks: before making arrangements for Robert Brown with Bronfman, he had helped Harry Hatch, Sam's arch-rival, acquire Ballantine's scotch distillery as a subsidiary of Hiram Walker, Ltd. Once installed with the Brown company, however, he appears to have become a staunch ally of the Seagram interests.

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[18] The most dramatic rendering of Sam Bronfman's September 1933 meeting with the DCL directors in was provided by Terence Robertson in an unpublished manuscript, "Bronfman: The Life and Times of Samuel Bronfman, Esq.," in 1969. Seagram Papers, Accession 2173, Series I, box 24. For other accounts, see Newman, *Bronfman Dynasty*, 133-34, and Marrus, *Mister Sam*, 178-79.

[19] Marrus, *Mister Sam*, 190-91.

[20] Maxwell Henderson, *Plain Talk! Memoirs of an Auditor General* (Toronto, 1984), 58.

Henderson provides insight into the Robert Brown company before 1950: "This company, which had only a three-room office on Renfield Street [in Glasgow] kept its stocks of whisky in various bonded warehouses in Scotland such as the Glasgow Bonding Company which Barclay happened to own."[21] Initially, Barclay traveled the countryside acquiring odd stocks of scotch from local distilleries and family estates (and irritating Henderson, as Seagram was paying for these rapidly growing inventories). After the end of World War II, however, his own ambitions appear to have grown, mirroring Sam Bronfman's desire not only to steal a march on the Distillers Company, but also to offset Hiram Walker's strong position with its Ballantine distillery in Dumbarton.

Their mutual interests focused on Chivas Brothers of Aberdeen, a company established in the nineteenth century, which supplied both the grocery and whiskey needs of the British royal family when they summered at Balmoral Castle. With this status, Chivas also marketed its wares to various aristocrats and gentry throughout the British Isles. Chivas Brothers, however, did not have their own distillery; rather, they purchased local supplies and sold them under their trademark. The trademark, with its "Royal Warrant" element, was the only asset of value to Seagram, but it had to buy the grocery stores as well; the sale took place in April 1949. Barclay also found a distillery nearby, the Strathisla-Glenlivet Malt Distillery, which Henderson described as "a little run-down operation." Seagram celebrated it in its advertising after its acquisition in April 1950 as "the oldest distillery in the Highlands." The two purchases cost £156,000.[22]

Contemporaneously, Barclay arranged for Robert Brown to purchase two other properties, William Walker & Co., Ltd., and the Highland Bonding Co., Ltd.; acquired for both their trademarks and their whiskey stocks, they cost considerably more than either Chivas Brothers or Strathisla. By May 1950, Robert Brown had borrowed £1.5 million (over $4 million Canadian) from the Bank of Montreal in Canada and Bankers Trust Co. in London to cover these purchases and for other transactions on behalf of Seagram; repayment was due by February 1951. Any extension of the loan would require approval by the Bank of England Exchange Control.[23] This episode reflected Seagram's growing involvement in the British postwar economic scene and entanglement with the panoply of trade and financial controls established over the previous decade, whose

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[21] Henderson, *Plain Talk!* 113, 116.

[22] A. M. Henderson to Sam Bronfman, "United Kingdom Visit," 12 May 1950. Seagram Papers, Accession 2126, RG 1, Series II, box 42, R. Brown files 1946-50. See also Henderson, *Plain Talk!* 114-16.

[23] Henderson, "Robert Brown Limited and Subsidiary Companies," July 1950. Seagram Papers, Accession 2126, RG 1, Series III, box 42 R. Brown files, 1945-50.

intricacies led to a more complex, long-lasting commitment by Seagram than Bronfman or even Barclay may have initially contemplated.

After World War II, the British faced significant economic challenges. Because of the liquidation of their overseas assets during the war, they needed to rebuild export markets and offset continuing costs of imports and foreign borrowing, while adhering to agreements to maintain the value of their currency. To meet these needs, both the Labour government that came to power at the end of the war and the Conservatives who returned in the early 1950s erected and maintained a range of controls and restrictions (some established during the war or even earlier) over imports of goods and exports of capital and foreign income. Augmented for a time by efforts to promote trade within the Commonwealth "sterling bloc," measures to promote earnings from "hard currency" markets, principally the United States, were increasingly the focus.[24]

Importers, exporters, foreign companies seeking to repatriate earnings, and companies borrowing from foreign lenders all had to run a gamut of regulations administered by a range of government agencies, including the Board of Trade, Exchange Control (administered through the Bank of England), the Capital Issues Committee (which monitored new capital investments), and, of course, Inland Revenue.[25] Seagram had to deal with all of these institutions in the course of its operations in the United Kingdom, and ultimately had to accept restraints on their actions that were more onerous than those imposed in their previous cross-border ventures into the United States.

While Barclay was busy assembling stock of scotch and trademarks at Robert Brown, Sam Bronfman was pushing DCL into the rum business. During World War II, when there were restraints on the use of grain for alcohol (limiting new whiskey production in the United States and Canada), he began using molasses imported from the Caribbean to make rum, marketed as Captain Morgan Rum. This led to the acquisition of Long Pond Estates in Jamaica by the Seagram empire at the end of the war; over the next decade, they added the properties of other rum companies: Myers, Trelawny, and Sherriff. Bronfman also embarked on a major export effort, vowing to become "Rum King of the World," but with particular emphasis on the British market.[26]

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[24] See Philip Burnham, *Remaking the Postwar World Economy: ROBOT and British Policy in the 1950s* (London, 2003), 11-16, 156-62, and 175-82; Susan Strange, *Sterling and British Policy* (London, 1971), 62-70; and Graham Turner, *Business in Britain* (London, 1971), 48-52.

[25] John Chiene, Robert Brown, Ltd., to Edgar Bronfman, 4 Jan. 1957, provided a kind of "seminar" on British regulatory complexities for the younger Bronfman. Seagram Papers, Accession 2126, RG 1, Series I, box 202, Murray Cohen files.

[26] On the origins of the rum business, see Bronfman, *Little Acorns,* 43-44; and Henderson, *Plain Talk!* 112-13.

Initially, exports of Captain Morgan Rum to the United Kingdom went through a British purchasing agency, but in 1949 Sam set up a new company, Captain Morgan Rum Distillers (U.K.), Ltd., because he planned to build a large warehouse and distillery at Speke near Liverpool to supply other European markets. This appears, however, to have been a "paper company," and by 1950, DC-SL was arranging for loans through Bank of Montreal and Bankers Trust in Britain to Robert Brown, Ltd., for use in purchasing rum from the Captain Morgan company in Jamaica (the British "Captain Morgan" company was folded into Robert Brown, Ltd., in 1954). Henderson noted that this arrangement came about as a means of moving capital designated in dollars (rather than pounds sterling) into Britain to build the Speke operation. Jamaica was within the duty-free area for British imports, as it was part of the Commonwealth, but it was a "dollar-controlled" area in terms of exchange. This stratagem also reflected concerns about the stability of the pound sterling; such considerations influenced Seagram's decisions about its British commitments throughout the next decade.[27]

Bronfman also wanted to market his blended whiskey, Seagram V.O., in Britain. His principal international sales agent, Quintin Gwyn, discovered that an exemption from high import duties could be gained through what were called "Token Shipments," which applied to quantities valued at less than $10,000 (U.S.). Gwyn's idea was that they could ship much larger amounts in bulk form, and then bottle and sell it under the V.O. label in Britain. The logical bottler was Robert Brown, with its facilities in Glasgow. Because the only way to avoid taxation on the final product was to have it enter as a sale by Seagram to Robert Brown, more funds were advanced to Brown to help cover the purchases.[28]

By 1953 Robert Brown, Ltd., had loans and advances of more than £3.8 million from DC-SL and its New York affiliate, Joseph Seagram & Co.; responsibilities for a distillery in Aberdeen, a warehouse and bottling plant in Glasgow, and another in the works for Liverpool; sales agencies in London and Glasgow; and purchasing operations in Jamaica. This was when John Chiene came on the scene.

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[27] A. M. Henderson to R. H. Oxley, Bankers Trust Co., London, 16 Jan. 1951. Seagram Papers, Accession 2126, RG 1, Series III, box 42, R. Brown file, 1951.

[28] Quintin Gwyn to Allan Bronfman, "Bottling of V.O. in the United Kingdom," 30 Sept. 1950; D. McClement, Robert Brown Ltd., to A. M. Henderson, 3 Nov. 1950, both in Seagram Papers, Accession 2126, RG 1, Series III, box 42, Joseph E. Seagram & Sons, Ltd. file. McClement, who administered the company while Barclay was off making deals, suggested that they resuscitate another dormant U.K. company, Joseph E. Seagram & Sons (U.K.), Ltd., to act as the "receiver" of these shipments, and then resell them to Brown. Brown ultimately absorbed this other nominal company.

Max Henderson had recognized on his trip to Glasgow in 1950 that Jimmy Barclay, although "an entrepreneur with great imagination and wide contacts in the distilling trade in Scotland and the U.S. . . . was neither a financial man nor a distiller with technical expertise."[29] He undertook to fill those gaps, supplying Robert Brown with an accountant, R. M. Preston, from Price Waterhouse in Glasgow. Allan Bronfman recruited Charlie Julian, a distiller from Justerini and Brooks, who developed the Chivas Regal blended scotch (drawing on the whiskey stocks of the Brown company and those accumulated by Barclay).[30] They also brought in a general manager for the growing enterprise named David McClement, but he appears to have left the firm in 1952, and was succeeded by John Chiene, who would head the company over the following decade.

John Chiene presented a marked contrast to the flamboyant entrepreneur Jimmy Barclay. Trained in accounting at his father's firm, Chiene & Tait in Edinburgh, John Chiene joined the Edinburgh Investment Trust in 1926 and eventually became its managing director and chair in the 1960s. During World War II, he served in the military, rising to the rank of colonel. Involved with the movement of personnel overseas, he attended the Allied summits at Quebec, Cairo, and Yalta, and received the Order of the British Empire. Returning to Edinburgh Investment Trust after the war, he apparently began his affiliation with Robert Brown, Ltd., in 1949, while retaining his position with the trust company and serving on the boards of a number of other companies.[31]

An Italian salesman for Seagram whose agency was integrated into the Robert Brown orbit dismissed him as having "an accountant's mind . . . [and] absolutely ignorant of the continental [liquor] business. . . ."[32] There is no question that Chiene's talents were well suited to financial and organizational management, qualities he shared with Henderson but that were not in abundant supply or even appreciated at Seagram.[33] More important, he had a consistent vision for the future of Robert Brown and

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[29] Henderson, *Plain Talk!* 115.

[30] Henderson, "Robert Brown and Subsidiary Companies," 12 July 1950; Henderson, *Plain Talk!* 115-16.

[31] Martin F. Sinclair, partner in Chiene & Tait in Edinburgh, kindly provided information on John Chiene's background.

[32] Antonio Garabelli, Rome, Italy, to Quintin Gwyn, 4 June 1954, Seagram Papers, Accession 2173, Series II, box 27, International Expansion 1952-64 file.

[33] Edgar Bronfman (Sr.) who became the president of the U.S. company, Joseph Seagram, in 1957 (but was not able to exercise full control until the mid-1960s when his father became less active because of ill health), later acknowledged that Seagram in the latter days of Sam's rule was "a company that was the worst managed in the business . . ."; see Marrus, *Mister Sam*, 325.

was persistent in promoting it, taking advantage of every opportunity to reiterate his arguments.

Chiene fired his first salvo in this regard in a lengthy memo to Henderson in November 1954. First, he noted that virtually all Robert Brown's capital obligations were in the form of loans (directly from DC-SL or from the Bank of Montreal), and he pointed out that the Bank of England Exchange Control was likely to view the situation as more "favourable" if there was "a recapitalization whereby a far greater proportion of the total assets was 'fixed' in the form of share capital." Recognizing that "one of the main reasons for the retention of this 'loan' finance has . . . been the desire to obtain repatriation to Canada of the original advances . . . in the event that such a course became both practicable and possible," Chiene argued that "there would seem to be no prospect of the conditions arising which would allow of repatriation until and unless the pound sterling was once again freed [to float] either wholly or in part." He added that Robert Brown's dependence on the existing form of financing made it much more difficult to engage in "local borrowing." As a final argument, he proposed that a portion of the debt could be converted to "a debenture stock for issue to the public," which would provide tax benefits while ensuring that Seagram retained control of the equity capital.[34]

Henderson, in his response, was cautiously receptive—"you must indeed have read my mind on this subject"—and noted, "the concept of an overseas corporation is not new with us. . . ." Nevertheless, he went on to write that "at the moment we rather envisage a Montreal incorporation holding the shares of all those of our overseas companies engaged in the rum business, which would exclude the Scotch Whisky holdings." This line of thinking was to lead, in 1957, to the creation of the Seagram Overseas Corporation.[35]

In the meantime, however, Chiene faced challenges related to the rapid expansion of Seagram's rum acquisitions and sales in Britain. Between 1952 and 1956, Sherriff & Co. of Jamaica, Wood & Co., Ltd., Robert Legge & Co., Ltd., and Myers Rum Co., Ltd., of Nassau were all

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34 John Chiene, "The Future Capitalization of Robert Brown Limited and its Subsidiaries," 23 Nov. 1954, Seagram Papers, Accession 2126, RG 1, Series III, box 42, House of Seagram 1954-62 file.

35 Henderson to Chiene, 28 Dec. 1954, Seagram Papers, Accession 2126, RG 1, Series III, box 42, House of Seagram 1954-62 file; Frank Marshall, "The Story of Seagram Overseas Corporation in the Markets of the World," Sept. 1957, Seagram Papers, Accession 2126, RG 1, Series IV, box 116, SOSCO file. Although descriptions implied SOSCO ran all the overseas operations, in practice it was simply a coordinating body for sales in different countries. In the United Kingdom, Robert Brown exercised control over all the subsidiaries, including the House of Seagram.

added to the Seagram empire, and much debate and maneuvering ensued over who should be in charge of the growing sales operation. In this contest Chiene had to deal with Geoffrey Palau, who had come to Seagram when it acquired Sherriff and who wanted to run his own show, and with Adalbert Herman, Bronfman's leading distillery manager, who believed that whiskey and rum sales operations should be kept separate. Both men had the ear of Sam Bronfman, but eventually Chiene emerged triumphant, with the new U.K. rum sales agency, House of Seagram, set up as a subsidiary of Robert Brown. However, Chiene used the occasion to vent his frustrations to Max Henderson:

> [W]e have never really had clear policy during the four years I have been here, and that in itself has made it a little difficult to plan and co-ordinate. . . . We have gone through the agonies of disbanding the sales force of our Rum and V.O. We then went on to an agency basis for such selling and now, having flirted with the idea of setting up Seagrams Ltd., we have come back to where we started by the incorporation of House of Seagram Ltd., as a sales force . . . [and] we have had to set up our own bottling. . . .[36]

Chiene went on to complain about space pressures in the expanding Robert Brown organization: "in Glasgow we have no room to swing a cat . . . the only spare room we have at all is the Board room which Charlie Julian [the Chivas blender] uses on his periodic visits to Glasgow. . . ," and so on through a litany of grievances, implying that new infusions of capital would soon be needed.

Henderson continued to support Chiene's proposals. In April 1955 he suggested, "you and I should determine what steps and costs would be involved in simply capitalizing the bulk of inter-company debt along the lines set out in your 'future capitalization' memorandum," but added, "we could work out something modest along the above lines," and cautioned that the amount to be converted would not affect advances after 1953, with more recent advances "to be regarded as current account ones." Henderson also agreed to remove the compound interest charged Robert Brown on intercompany debt and calculate it "on straight 3% simple interest," in response to Chiene's arguments that the higher rate did not really contribute to the parent company's profits, tied up by government regulations.[37]

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[36] Chiene to Henderson, 1 Feb. 1956, Seagram Papers, Accession 2126,RG 1, Series III, box 42, Robert Brown 1956 file. On the events preceding the creation of the House of Seagram in 1956, see "Notes of Meeting with Mr. Sam Held on Friday, September 30th and Saturday, October 1st, 1955 . . ."; John Chiene to Sam Bronfman, 7 Dec. 1955; Adalbert Herman to F. H. Gist, 1 Dec. 1955, Seagram Papers, Accession 2126, RG 1, Series III, box 42, House of Seagram 1954-62 file.
[37] Henderson to Chiene, 6 April 1955, Seagram Papers, Accession 2126, RG 1, Series III, box 43, Robert Brown 1955 file.

However, Chiene was to lose his champion at Seagram headquarters in early 1957, when Henderson left following the appointment of Sam's son, Edgar Bronfman, as vice-president of the New York company and obviously slated to take over the top spot whenever Sam chose to relinquish it.[38] Chiene, however, was quick to curry favor with the new crown prince, who, at least, had no ties to Sam's cronies from the old days (such as Adalbert Herman) and who could be persuaded by arguments about efficiency or financial probity that carried less weight with Mister Sam. In a memo to Edgar entitled "U.K. Finance," which detailed the complexities of British regulations on imports and capital exports, Chiene made the case for significant new capital investment of £1.67 million in Robert Brown, Ltd. Converting "some of the advances into fixed Ordinary capital to achieve a 50/50 ratio [of fixed capital to advances for all of Robert Brown's debt] . . . this is important in so far as it would indicate we are here for keeps—no longer operating on shoe-string capital." This would enable Robert Brown to borrow from British sources to remit funds back to Seagrams. [39]

Chiene's proposals were fortuitously supported by external factors, particularly new pressure on the pound sterling in 1957. The economy had recovered sufficiently in mid-decade to permit the elimination of many postwar regulations and restrictions, but by mid-1957 the British government again faced the prospect of devaluation to offset trade and foreign earnings shortfalls. In New York Sidney Freed, a financial adviser to Seagram, made the following point to Edgar Bronfman:

> Distillers Corporation-Seagrams Ltd. and J. E. Seagram & Sons Inc. together have an investment of approximately $17 million [U.S.] in the form of loans to Robert Brown and its affiliates. . . . These loans are repayable by the Scotch company in sterling. Thus it is quite apparent that our system faces a currency loss in the event of a devaluation of the pound. . . . Clearly, steps must be taken to protect this sizeable investment against the possibility of devaluation. . . . The best method of protection is afforded by having Robert Brown and its affiliates borrow as much money as possible in the United Kingdom. To the extent that funds are provided by United Kingdom sources, we would expect the U.S. and Canadian companies to be repaid, directly or indirectly, out of the funds so provided. [40]

Complicating this scenario was the need to supplement "fillings" of whiskey for Chivas Regal and age them for five to eight years, which

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[38] Henderson, *Plain Talk!* 133.
[39] Chiene to Edgar Bronfman, 4 Jan. 1957, Seagram Papers, Accession 2126 RG 2, box 202, Murray Cohen files.
[40] Sidney Freed to Edgar Bronfman, 10 July 1957, Seagram Papers, Accession 2126, RG 2, Series I, box 202, Murray Cohen files.

required an immediate outlay of new funds from the United States. This concern led to an immensely complicated scheme to reduce tax liabilities for Seagram, while providing a hedge against devaluation. The scheme required approval by the Bank of England Exchange Control, and Seagram was prepared "if it were necessary . . . [to] increase the capitalization of Robert Brown by an additional half million pounds, representing an advance not subject to repatriation."[41]

Nevertheless, Chiene continued to encounter resistance, or at least caution, from New York. After the completion of the complex arrangements regarding Chivas stocks (which did not, in the end, require any further capital commitments by Seagram in the United Kingdom), Seagram's lawyer, Philip Vineberg, wrote to Chiene: "We are all agreed in principle with [your] suggestions for increased capitalization of Robert Brown Ltd. . . . [but] there may be some discussion as to the time and exact amount." However, he added more optimistically, "there is also agreement with the ultimate objective of borrowing in the U.K. Mister Sam has been doing exploration of the best means of doing this through banking channels. . . ."[42] Seagram subsequently provided $2.5 million in new advances to Robert Brown but, Chiene noted, this would not "cure our liabilities."[43]

Despite his frustrations, by 1959 Chiene seems to have made a breakthrough in his efforts to persuade Seagram to move toward a more permanent investment in Britain. Several factors may have contributed to this development. First, although the British pound sterling survived the 1957 crisis, uncertainties about devaluation persisted into the 1960s, lending weight to Chiene's arguments. Second, Edgar Bronfman began to bring in new managers, such as Harold Fieldsteel and Harold Cox, to replace the retiring "old guard." They were more interested in longer-term structural development than in the ad hoc arrangements Mister Sam preferred. Third, Sam Bronfman himself, having become involved in the establishment of the new Glenlivet distillery, may have been more willing to accept the idea that a stable integrated operation would facilitate the marketing of a truly "Bronfman" scotch. [44]

In any case, by 1960 DC-SL and Joseph Seagram (the U.S. company) had over £14 million in loans and advances to Robert Brown, Ltd. It

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[41] "Capitalization of Robert Brown," 10 Oct. 1957, Seagram Papers, Accession 2126, RG 1, Series III, box 43, R. Brown financing 1956 file.
[42] Philip Vineberg to John Chiene, 6 June 1958, Seagram Papers, Accession 2126, RG 1, Series III, box 43, R. Brown financing 1957-58 file.
[43] Chiene to H. C. Cox, New York, 14 July 1958, Seagram Papers, Accession 2126, RG 1, Series III, box 43, R. Brown financing 1957-58 file.
[44] On the transitional struggles at Seagram following Edgar Bronfman's arrival as chief executive in New York, see Newman, *Bronfman Dynasty*, 182-85.

appears that Sam Bronfman may still have been considering the desirability of separating the U.K. rum and whiskey business. However, Chiene argued persuasively that Robert Brown be responsible for all Seagram investments in Britain, noting that: ". . . this would permit . . . a continuance of policy and financial control and . . . the present existing liaison agreements with regard to all employees being Seagram's men, pension funds, coordination of insurance, etc., to say nothing of accountancy control and coordination of figures. . . ."[45] Shortly thereafter, Harold Cox, DC-SL's secretary-treasurer, advised R. M. Preston in Glasgow that he would transfer all the remaining (mostly inactive) subsidiaries of Seagram in Britain to Robert Brown.[46]

One further obstacle to surmount: in January 1961, Sam Bronfman met with Chiene and Palau in London and proposed "the new organization structure . . . [of] a holding company, Robert Brown Ltd., or some other suitably named company, owning shares of two other holding companies, i.e., Chivas Brothers Ltd. [in whiskey] and House of Seagram Ltd. [in rum] . . . ."[47] Neither of the British managers were happy with this idea, and later in the year they prevailed on Philip Vineberg to accept their alternative of an operating company with shares held by the Montreal and New York companies.[48]

In March 1962, the Bank of England Exchange Control authorized the issue of 375,000 shares (at £l per share par value) of Robert Brown, Ltd., to DC-SL, and 1,150,000 shares to Joseph Seagram & Sons of New York "against a reduction of £1.5 million in the unsecured loans due by Robert Brown Ltd."[49] Eight years after he had first proposed this reorganization, John Chiene was able to see it fulfilled. Shortly thereafter, he left the company to chair Edinburgh Investment Trust.

Later in 1962, Robert Brown, Ltd., became Seagram Distillers (U.K.), Ltd. This change may have reflected the increased influence of Seagram in the United States, which held the majority of the shares. Edgar Bronfman took a position on the board of the British company, and in the 1970s he used London as a base for an ambitious international expansion program.

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[45] John Chiene to Sam Bronfman, 6 Dec. 1960, Seagram Papers, Accession 2126, RG 1, Series III, box 43, Robert Brown 1960 file.

[46] H. C. Cox, Montreal, to R. M. Preston, Glasgow, 4 May 1961, Seagram Papers, Accession 2126, RG 1, Series III, box 43, Robert Brown 1961 file.

[47] H. C. Cox to John Chiene, 18 Jan. 1961, Seagram Papers, Accession 2126, RG 1, Series III, box 43, Robert Brown 1961 file.

[48] "London Meeting, Philip Vineberg, Murray Cohen, John Chiene, November 29, 1961," Seagram Papers, Accession 2126, RG 1, Series III, box 43, Robert Brown 1961 file.

[49] U.K. Exchange Control, Glasgow, 23 Feb. 1962, Seagram Papers, Accession 2126, RG 1, box 43, Robert Brown 1962 file.

Seagram's experience in developing its British subsidiary provided a training ground for growth in less familiar foreign markets.[50]

Two years earlier, Seagram employees and executives assembled in Paisley, Scotland, to witness the opening of the Glenlivet/Glen Keith Distillery. Sam Bronfman said: "It is noteworthy that the three whisky-distilling nations of the world today are Scotland, Canada and the United States. This is undoubtedly due to the influence of pioneers from this country to the other side of the Atlantic who helped make these two other nations great distilling countries."[51]

Sam Bronfman's appreciation of good scotch (and its marketing qualities) had led him to make his first foreign investment in 1935, when Seagram was largely preoccupied with its U.S. expansion. The circumstances that led Seagram into a much greater and more enduring commitment to their British investment, however, were a byproduct of the economic conditions of the British postwar scene and of the persistent efforts of Robert Brown's manager, John Chiene, to establish the company as a vehicle for continuity, control, and coordination of Seagram's interests in the British Isles.

We can see Seagram's expansion into the United States in the early 1930s as a classic example of strategically driven foreign direct investment. The Bronfmans had a clear idea of their objective: to establish a foothold in the U.S. market when they had a well-organized production system and their potential competitors were still grappling with the effects of Prohibition, which had left U.S. production facilities moribund. Although the importing and sale of alcoholic beverages was legalized with the end of Prohibition, the Canadian company still had to reckon with other trade barriers set up by a protectionist administration in Washington, D.C. Consequently, they needed to enter into direct production and marketing in the United States to offset the emergence of a strong prospective domestic rival, Schenley. They also had to take into account that Canadian rival Hiram Walker was also investing in U.S. production facilities. The Bronfmans used their reserve capital and new funds to acquire distilleries in the United States, set up a national distribution network, and develop an aggressive strategy to establish Seagram brands in the American market. By 1935-1936, they had accomplished all of those objectives.

The move into Britain after World War II, by contrast, was a much more haphazard affair. We could describe the initial investment in scotch whiskey stocks as a form of backward integration, in terms of access both to the product and to the brand names, although scotch had not been a significant part of the Seagram product lines, and production requirements were more time-consuming and expensive than was the case with

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[50] McCarthy, "Seagram's Around the World."

[51] Quoted in "The Seagram Structure in the United Kingdom."

its mainstream alcoholic beverages. The decision reflected to some extent the personal ambitions and aspirations of Sam Bronfman to acquire a foothold in a market he deemed prestigious (and to extend his rivalry with Harry Hatch of Hiram Walker Co.), rather than a carefully thought-out diversification strategy.

At the same time, Bronfman embarked on an unrelated diversification move into the rum trade; he may initially have planned to run it as an export business, rather than investing directly in facilities in the British market. The confusing mélange of organizational experiments that preceded folding the rum business into Robert Brown, Ltd., indicates that this was not thought through and was accompanied by a variety of one-off actions (for example, the importing of "token shipments" of blended whiskey) that were brought together under Robert Brown's aegis only after a good deal of transatlantic palavering.

Organization-oriented managers, particularly Henderson and Chiene, largely undertook the reshaping of these somewhat incoherent legacies of entrepreneurship after much of the initial investment had occurred. These efforts might well have remained stillborn, however, in the absence of British government policies affecting both imports of goods and exports of capital. Until 1957, the Seagram office in New York appears to have had some hope that they could recover the initial investment and continue the haphazard arrangements of the early 1950s. A combination of elements—the appearance of Edgar Bronfman with a new set of managers in New York, the sterling crises of 1957 and beyond—reinforced the arguments Chiene had made and led to the stabilization of the Seagram commitment to Britain. Moreover, this laid the groundwork for Seagram's international expansion in the decades to come. The British restrictions certainly created the conditions under which Seagram would ultimately intensify its investment overseas; but the company might not have exercised this option without the prodding of the "local players," particularly John Chiene.